Annual Report 2013

ceca

CONFEDERACIÓN
ESPAÑOLA
DE CAJAS
DE AHORROS

CONTENS

1 INTRODUCTION

Letter from the Chairman

Following several years of recession, the situation at the beginning of 2014 points to moderate but constant growth, improving slowly but surely, after overcoming the distrust generated by the economic and financial situation in Spain barely a year ago. 2013 was a year of transition from distrust to trust and confidence, a commodity as valuable as it is scarce: confidence in the country, its banks and people.

The difference between a business crisis and a crisis of trust such as the one we hope to put behind us is how we come out of them. The former has nothing to do with models or management by values, but rather with knowing how to use the cycles to our advantage. The crisis we are just starting to pull out of leaves only survivors and will completely change the way those survivors understand the economic relationships between them, incentives, means, objectives and the main players on the field.

In 2013 we travelled a lot; we had to go elsewhere to realise that what we have here is worthwhile. We have had to get inside people and multinational institutions to convince them that they can trust us. We have had to make drastic reforms to achieve this. And those who had an impaired view of the country have taken more interest than ever in it, they subjected us to close scrutiny, being ruthlessly but necessarily demanding. And after this extremely tough process they have decided that we can be trusted, they have approached us and changed their perspective. They no longer watch us fearfully; now they invest in us with optimism. We are entering a phase in which, more than ever before, we need to believe in ourselves.

It would not have been possible to restore confidence in Spain without recovering trust in its financial system. If 2012 closed with the challenges deriving from the calendar marked by the Memorandum of Understanding (MoU), which defined the financial aid granted to certain Spanish entities, and 2013 opened with the creation of the property asset management company, both reforms designed to solve problems from the past, the end of the year has brought new challenges, but this time focusing on the future, namely the Banking Union and the new legal regulations for savings banks and banking foundations.

These two very important reforms are closely related. Together with the restructuring and consolidation process, the new legal system will make credit institutions better prepared, through improved corporate governance, to tackle the challenges of the Banking Union and growing integration of the European financial market. Between them they provide the legal security badly needed for the recovery of lending to households and SMEs, which lies in the certainty, desired by all, that we will be ready if a new crisis occurs. This preparation is based on our most crucial asset, both in the country and in its undertakings: people's talent, enthusiasm and values. In a sector such as ours, which has successfully made a complete transformation without losing its essence crafted over three centuries and structured around social capitalism, this entails the valuable contributions of over 87,000 employees.

Isidro Fainé Casas

Letter from the Chief Executive Officer

We will look back on 2013 as the turning point in one of the most devastating financial crises in economic history and the year in which we started to see the light at the end of the tunnel in the restructuring of the sector, thanks largely to the enormous efforts made by savings banks, including CECA, to reinvent themselves and their business.

For the first time in years, a scenario of economic and financial recovery can be seen in 2014, underpinned by the foreign sector, the reduced intensity of the tax reform and the enhanced financial conditions. In view of the favourable evolution of markets and the risk premium, particularly in the second half of the year, we are optimistic about the expected growth, which will nevertheless be moderate and will continue to be held back by high unemployment rates until at least 2018.

Retail business is still hampered by the weak economy and restructuring processes. The credit squeeze tightened even further in 2013, while notes and subordinated liabilities were channelled towards deposits and off-balance-sheet resources, especially investment funds.

The rate of nonperforming loans continued to grow in 2013, due to the persistence of high unemployment levels, which mainly affects the doubtful debts of households, the new classification criteria for refinanced loans (with a foreseeable impact of €5 bn on new provisions) and the shrinking volume of loans and receivables.

Against this backdrop and despite the shrinking of the interest margin from €6.5 bn to €5.5 bn, the cost-cutting measures, divestments in non-strategic assets and extraordinary capacity reduction combined with smaller provisions, CECA members posted half-year profits of €2,682 million. Since the peak in capacity in 2008, the number of branch offices has been reduced by 29% and the employee headcount by 26%. We expect these reductions to continue throughout 2014, such that by 2015 the sector will have 38% fewer branches and 33% fewer employees.

The benefits of this adjustment have already been reflected in the efficiency of the Sector. For example, the weight of central services among CECA members has been reduced from 19% in 2008 to 16% by June 2013.

The final map of the sector began to take shape in 2013. At the beginning of 2008 there were 45 savings banks in Spain. This number has been reduced by almost 70% and there are now just 12 groups of savings banks. The most obvious consequence of this process, which is now drawing to a close, is a considerable increase in the average size of the entities in our Sector. Owing to the smaller number of entities, the average volume of assets in 2013 was over €100,000 million, so their size has tripled.

This is a new stage in the centenary history of Spanish savings banks, with larger entities and enhanced corporate government, in an ideal position to tackle the present difficult economic and financial situation.

One of the key factors for improving the good governance in savings banks was the effort and consensus achieved in the new legal framework for savings banks and banking foundations, unquestionably the most important legislative impetus for our sector since it provides the entities emerging from the business-combination process with a stable legal framework to face the challenges arising in the current economic and financial environment.

When we analyse Savings Banks on an international level (within the European Savings Banks Group, ESBG, and the World Savings Banks Institute, WSBI) we find entities with widely differing legal forms, but all having in common their commitment to the "3 R's" model: Retail, Responsible and Rooted (in the local community). In other words, they focus on business and household funding (not investment banks) through a model of responsible, sustainable banking tied to their regional territory (not global banks), which characterises the essence of savings banks. In short, a savings bank is, above all, a business model and a way of understanding banking, which will naturally survive after this law.

Through the new legal regime, together with the restructuring and consolidation process, our credit institutions will be better prepared for the challenges of the Banking Union and further integration in the European financial market, while preserving their concept of banking and their mainstay, Social Work.

Finally, CECA will continue to provide the entities we represent with all the support they may need.

José María Méndez Álvarez-Cedrón

2 SELF-DEFINITION

Vision

Mission

Institutions represented by CECA

History of CECA

2.1 Vision

CECA's strategic goal is to strengthen the position of its members (i.e. savings banks, foundations and banks created by the savings banks,) within the Spanish and international financial system, from the point of view of both their financial activity and their social work and social responsibility.

The entities represented by CECA are distinguished by their commitment to what is known on an international and European level as the "3 R's", that is, Retail, Responsible and Rooted.

2.2 Mission

CECA is a banking association which acts as a forum of strategic reflection for all its members and undertakes to publicise and defend their interests, provide counselling and foster the important mission they are to perform in society.

The essential principle and code of conduct of the Confederation upholds absolute respect for the personality and independence of its members, in both their organisation and their operations.

2.3 Institutions represented by CECA

As a banking association, CECA represents two types of institution:

1) Institutions engaged in financial activities, i.e. the banks of savings banks and any savings banks directly performing financial services. These are full members of CECA and are represented on its Board of Directors. At year-end 2013 there are 12 members, 10 of them banks and 2 savings banks.

   The members of CECA closed the year with a market share of the Spanish financial system of 43% measured in deposits of other resident sectors, and 42% measured in loans to other resident sectors.

The list of groups is as follows:

SAVINGS BANKS AND GROUPS OF SAVINGS BANKS

CAIXABANK www.caixabank.com	BANKIA www.bankia.es	CATALUNYA BANC www.catalunyacaixa.com	NCG BANCO www.novagaliciabanco.es	KUTXABANK www.kutxabank.es
	BANCO FINACIERO Y DE AHORROS S.A.U. www.bancofinacieroydeahorros.com			CAJASUR BANCO, SAU. www.cajasur.es
BANCO MARE NOSTRUM www.bmn.es	UNICAJA BANCO www.unicaja.es	IBERCAJA BANCO www.ibercaja.es	BANCO CEISS www.cajaespana.es	LIBERBANK www.liberbank.es
		BANCO GRUPO CAJA3 www.caja3.es		BANCO CASTILLA LA MANCHA, S.A. www.ccm.es
CECABANK www.cecabank.es	CAIXA ONTINYENT www.caixaontinyent.es	CAIXA POLLENÇA www.colonya.es		

2) **Foundations and Savings Banks indirectly providing financial services.** These are associated members of CECA, who sit on the Foundations and Social Work Committee and attend CECA General Assemblies.

At 31 December 2013, 26 savings banks and foundations were associated members of CECA:

SAVINGS BANKS WITH INDIRECT FINANCIAL ACTIVITY

- **LA CAIXA** – www.lacaixa.es
- **BILBAO BIZKAIA KUTXA** – www.bbk.es
- **UNICAJA** – www.unicaja.es
- **IBERCAJA** – www.ibercaja.es
- **KUTXA** – www.kutxa.es
- **CAJASTUR** – www.cajastur.es
- **CAJA VITAL** – www.cajavital.es
- **CAJA DE EXTREMADURA** – www.cajaextremadura.es
- **CAJA CANTABRIA** – www.cajacantabria.com
- **CAJA MURCIA** – www.cajamurcia.es
- **CAJA DE BADAJOZ** – www.cajabadajoz.es
- **CAI - CAJA INMACULADA** – www.cai.es
- **CAJA GRANADA** – www.cajagranada.es
- **CAJACÍRCULO** – www.cajacirculo.com
- **SA NOSTRA CAIXA DE BALEARS** – www.sanostra.net

SPECIAL FOUNDATIONS

FUNDACIÓN CAJA CASTILLA LA MANCHA
www.fundacioncajacastillalamancha.es

FUNDACIÓN ESPECIAL CAJA DE BURGOS
www.cajadeburgos.com

FUNDACIÓN ESPECIAL CAJA RIOJA
www.fundacion-cajarioja.es

FUNDACIÓN ESPECIAL CAJA MADRID
www.cajamadrid.es

FUNDACIÓN ESPECIAL CAJACANARIAS
www.cajacanarias.com

FUNDACIÓN ESPECIAL BANCAJA
www.fundacionbancaja.es

FUNDACIÓN CANARIA LA CAJA INSULAR DE AHORROS DE CANARIAS
www.lacajadecanarias.es

FUNDACIÓN ESPECIAL NOVACAIXAGALICIA
www.obrasocialncg.com

FUNDACIÓN PINNAE
www.pinnae.cat

FUNDACIÓN CAJA DE ÁVILA
www.fundacioncajadeavila.es

FUNDACIÓN ESPECIAL MONTE SAN FERNANDO
www.cajasol.com

2.4 History of CECA

Confederación Española de Cajas de Ahorros, the Spanish Confederation of Savings Banks, was founded in 1928 at the initiative of *Federación de Cajas de Ahorros Vasco-Navarras* (the Basque-Navarre Federation of Savings Banks) to combine the efforts of all its members and represent them in different forums.

In 1971, the Confederation took over most of the duties of *Instituto de Crédito de las Cajas de Ahorros* (ICCA), the Savings Banks Credit Institute, including: purchase and trading of securities and investment of funds on behalf of the savings banks; drawing and transfer of funds and passbooks between members; and acting as a subsidiary agency of the savings banks in their customers' deposits and withdrawals. At the same time, the Confederation inherited ICCA's principal coordination function, granting loans to savings banks with funds that they had voluntarily deposited.

As a result, CECA no longer had a purely representative role. It embarked on a new venture, with financial services, operations and duties more characteristic of credit institutions. A research unit was set up in 1976 and its work was later used as the basis for reforming the Spanish financial system.

In addition to recruiting staff with a new professional profile, new training policies were introduced in the sector around that time and the ESCA (*Escuela Superior de Cajas de Ahorros*) college was opened. With the deregulation of the Spanish financial system in 1977, savings banks recovered their traditional independence from politics and full operating capacity (which had been severely undermined by the interventionism of the authorities as from 1940, particularly evident in the regulation of compulsory investments).

Royal Decree 2290/1977 of 27 August clearly defined the scope of the Spanish Confederation of Savings Banks for the first time, defining CECA as the National Association and financial services provider of all member savings banks.

The Savings Banks (Governing Bodies) Act (LORCA) of 1985 confirmed the model initially designed within the reforms of the seventies. Since then, owing to the major expansion of the savings banks sector within the Spanish financial system, savings banks have had to reconcile their cooperation within the Confederation with their growing commercial competition with one another on the market.

Against this new backdrop and upon recommendation by the Board of Directors, the General Assembly approved a change of strategy and organisation in 1990, basically redefining the Confederation's objectives to bring its services in line with the demands of savings banks on free market conditions. Under this new arrangement, it became common practice to set rates for the operating, financial and technological services provided for and voluntarily acquired by savings banks, with the ultimate aim of converting them into self-financing entities. Moreover, as the productivity of its association duties grew, membership fees were lowered every year as from 1995.

The penultimate milestone in this evolution was the passing of the 2002 Finance Act and the 2003 Transparency Act. The purpose of the Finance Act was twofold: to make the management of savings banks even more professional and to facilitate their access to the capital market. The Transparency Act increased savings banks' disclosure requirements to regulatory bodies and the public. Since its entry into force, savings banks have published an annual corporate governance report informing on the decision-making processes of their governing bodies.

The publication in July 2010 of Royal Decree-Law 11/2010 of 9 July on Governing Bodies and Other Aspects of the Legal Framework of Savings Banks brought a significant reform to Spanish law. The most characteristic feature of the reform was the acceptance of institutional diversity, as it had been accepted in the late XIX century, through numerous strategic alternatives for these institutions, based on their business autonomy while maintaining their distinctive properties.

The reform provided solutions tailored to the different needs of savings banks, putting new corporate formulas at their disposal (indirect performance of the business, consolidation through institutional protection schemes and issuing of the association's share certificates with or without voting rights).

Each savings bank was to choose the solution that best suited its vocation and needs. But at the same time, the reform fully respected the legal nature of savings banks. All the new formulas maintained a foundational substratum that guaranteed the survival of the corporate model inherited from the LORCA, a model based on the stakeholder approach and commitment to regional development through Social Work and advanced corporate social responsibility policies.

The reform was structured on two basic lines of action: the first aimed to foster the capitalisation of savings banks, facilitating their access to top quality resources on an equal footing with other credit institutions, and the second sought to enhance the professional competence of their governing bodies. These lines were complemented with a modification of the tax system to guarantee tax neutrality of the different models of consolidation.

Following the reform made by Royal Decree-Law 11/2010, of 9 July on Governing Bodies and other aspects of the Legal Framework of Savings Banks, the process of restructuring and concentration of the savings banks sector led to the creation of new corporate structures and new types of institution, whose financial business derived from the financial business of one or several savings banks. These new institutions included the central bodies of the Institutional Protection Schemes (IPS) and the instrumental banks through which the savings banks performed their financial activities; and other credit institutions whose financial business derived mainly from a prior assignment of assets and liabilities by a savings bank.

2.4.1 Reform of the Articles of Association in July 2011

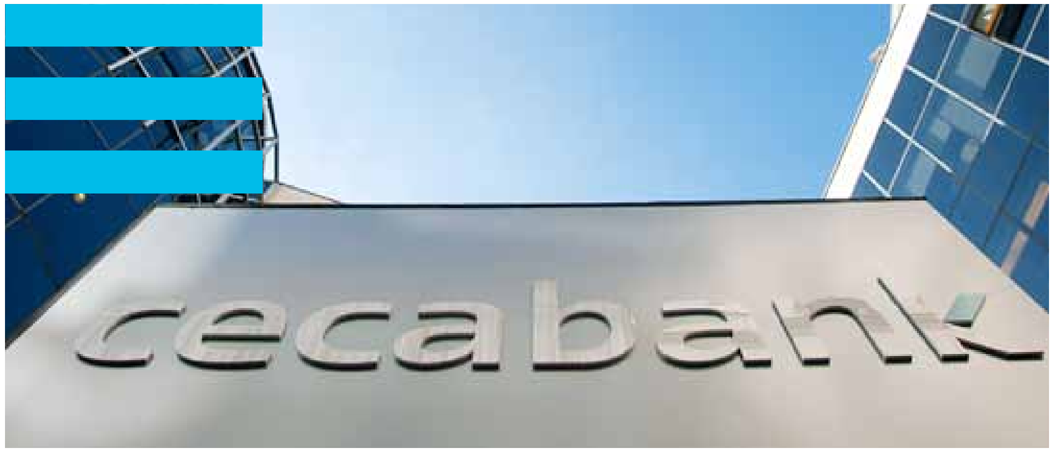
As a result of the new composition of the Sector, the Confederation had to adapt its Articles of Association to contemplate the new types of financial institutions, which unquestionably belonged to the savings bank sector, as deduced from their recent regulation. Accordingly, the Articles of Association of CECA were altered by virtue of a resolution adopted at an Extraordinary General Assembly on 20 July 2011, duly authorised by the Ministry of Economy and Finance and entered in the Madrid Trade Register. This reform established a new composition of the Confederation's governing bodies to reflect the new operating and organisational situation in the savings sector.

Firstly, all the entities currently comprising the savings sector were to be represented at top level in the General Assembly.

Secondly, representation on the board of directors shifted from territorial representation, through regional Federations, to a model based on representation of the savings banks and savings bank groups, in view of the new situation of the sector, permitting the inclusion of representatives of the new institution directing the group.

All the savings banks and savings bank groups were represented on the Board of Directors or Compliance Committee. Under the new structure the General Assembly, as the sovereign body, was to decide on the composition of the Board of Directors and the Compliance Committee.

Thirdly, two new advisory committees were created: the Federations Committee, renovating the participation by Federations, and the Foundations and Social Work Committee, to boost social work as the distinctive feature of the savings banks. Finally, the system for transferring the association's share certificates was extended to all CECA members. In short, this reform was designed to modernise and adapt CECA's articles of association to the present and future situation of the Savings Sector.



2.4.2 Creation of Cecabank

In March 2012 the Board of Directors of CECA resolved to begin the process to spin off its financial business to a new bank, Cecabank, through which CECA would perform its business and services activity indirectly.

Cecabank was set up on 12 November 2012 as a wholesale financial services bank with a vocation to provide its services for the entire financial system.

With the new structure, the governing bodies of CECA still make association-related decisions to defend the interests of its members (savings banks and their banks) and associates (foundations), while the new bank, Cecabank, has taken over as service provider.

The shareholders of the new bank are CECA, holding 89% of the capital, and the holders of the former association's share certificates, which have been converted into shares according to the valuation made by an independent expert, which hold the remaining 11%.

2.4.3. CECA under Act 26/2013

Under Act 26/2013 of 27 December on Savings Banks and Banking Foundations, CECA is and will continue to be an association of savings banks and the banks they have created, losing its status as credit institution. The non-association services of CECA will now be provided through Cecabank.

All CECA members will continue to be represented on its Board of Directors. The Banking Foundations and Ordinary Foundations may be associated members of CECA, whereby they may participate in the Foundations and Social Work Committee and be invited to attend General Assemblies.

3

CORPORATE GOVERNANCE

Structure and procedures
of the governing bodies

This chapter gives ample coverage of the corporate governance structures and practices in CECA. The aim is to give all stakeholders a general idea of the group, the structure and procedures of its governing bodies and any other significant information on corporate governance of the group. CECA has a website, *www.cajasdeahorros.es*, which is regularly updated. It contains a specific section providing information on the corporate governance of CECA.

3.1. Structure and procedures of the governing bodies

3.1.1. General Assembly

The **General Assembly of CECA**, made up of representatives of all the members of CECA, is the highest governing and decision-making body. Its members, known as *Consejeros Generales*, represent the general interests of savings and savers.

Among other duties contemplated in its Articles of Association, the CECA General Assembly defines each year the broad outlines of the Confederation's action plan, appoints the members of the Board, confirms the appointment of the CEO, nominated by the Board, and approves the annual accounts and the allocation of earnings to the Confederation's different activities.

The CECA General Assembly holds one ordinary meeting a year, within the time stipulated in law. Extraordinary meetings are held whenever called by the Board or *Consejeros Generales* representing at least one-tenth of the votes corresponding to all the members.

In 2013 the CECA General Assembly held its annual meeting on 13 March.

A fortnight before the annual General Assembly, the members were provided with an Annual Report containing a detailed description of the Confederation's development during 2012, together with the balance sheet, income statement and proposal for the allocation of earnings.

During 2013, the CECA General Assembly adopted the following resolutions, among others:

- Approval of the separate and consolidated annual accounts of CECA (balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes to the financial statements), the management report and allocation of earnings to the different activities of the Confederation, as well as the management of corporate affairs by the Board, all corresponding to 2012.
- Charitable and social work budget outturn for 2012 and maintenance budget for 2013.

"The Board of Directors is responsible for the administration, management and representation of CECA"

3.1.2 Board of Directors

The administration, management and representation of CECA are entrusted to its Board of Directors. This body is responsible for the governance and administration of the entity and represents it in all matters relating to its business and in any legal disputes, with the powers expressly conferred to it in the Articles of Association.

The members of the Board of Directors of CECA are appointed by the General Assembly in a number decided by that body, which may not be fewer than 5 nor more than 15.

Nominations for Board members are submitted by the members and nominees may only be Consejeros Generales.

According to the Articles of Association, the Board must hold at least six meetings a year, called by the Chairman.

Eleven Board meetings were held during 2013, called by the Chairman at his own initiative.

The Board meetings were attended by the CEO and the Secretary, who acted as non-director vice-secretary, although they were not entitled to speak or vote.

At 31 December 2013, the members of the Board of Directors of CECA were:

CHAIRMAN:
- Isidro Fainé Casas

SECRETARY:
- Carlos Egea Krauel

VICE-CHAIRMEN:
- Amado Franco Lahoz
- José Ignacio Goirigolzarri Tellaeche
- Braulio Medel Cámara
- Mario Fernández Pelaz

MEMBERS:
- Evaristo del Canto Canto
- José María Castellano Ríos
- Manuel Menéndez Menéndez
- Josep A. Cifre Rodríguez
- Antonio Carbonell Tatay
- José Carlos Pla Royo

3.1.3 Executive Committee

The Board of Directors of CECA may delegate its powers to the Executive Committee, except those concerning the submission of proposals to the General Assembly and those especially delegated to the Board, unless it is expressly authorised to do so.

Eleven Executive Committee meetings were held in 2013.

The members of this Committee are the Chairman, Vice-Chairmen and Secretary of the Board. Accordingly, at 31 December 2013, the members of the Executive Committee were:

- Isidro Fainé Casas
- Amado Franco Lahoz
- José Ignacio Goirigolzarri Tellaeche
- Braulio Medel Cámara
- Mario Fernández Pelaz
- Carlos Egea Krauel

3.1.4 Compliance

The compliance function has been outsourced to Cecabank, which has taken over the compliance duties corresponding to CECA.

4 ACTIVITY REPORT

Institutional Representation

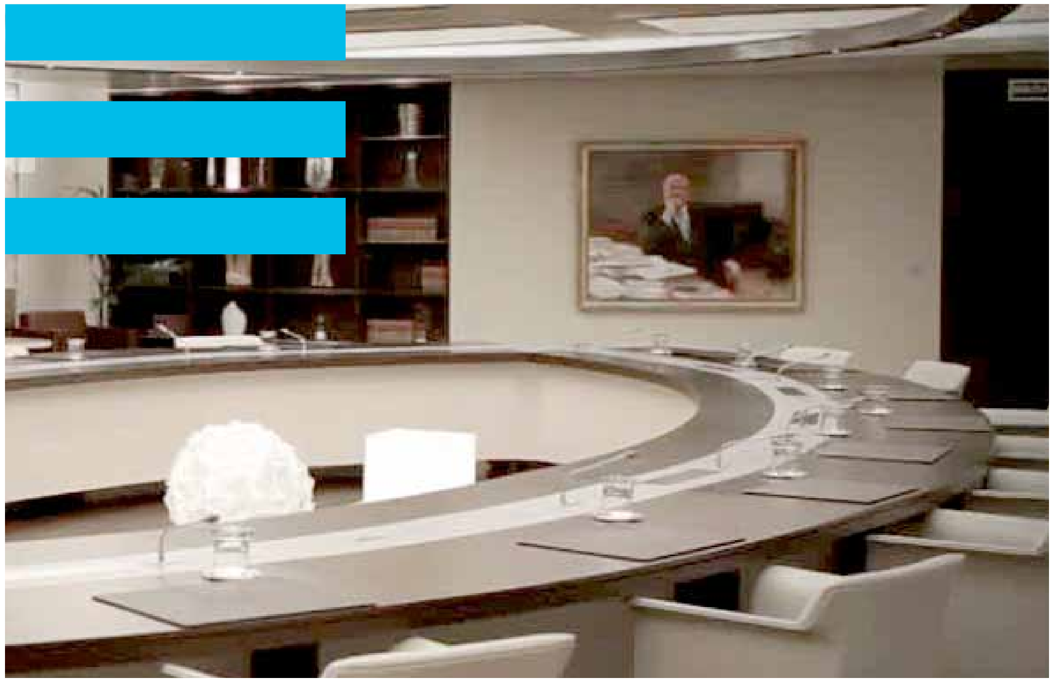
Economic Analysis

Social Investment

Confederación Española de Cajas de Ahorros structures its association-related work around three core areas:

- INSTITUTIONAL REPRESENTATION
- ECONOMIC ANALYSIS
- SOCIAL INVESTMENT

CECA is supported by Cecabank in this work.



4.1 Institutional Representation

CECA is present in numerous national and international forums, representing its members' interests and based on the goals established in its Articles of Association.

One of its main strengths is the technical expertise of its representatives in the different institutions and forums in which it participates, enabling the achievement of better results in defending its members' interests.

CECA is in a strong position to engage in dialogue with the national regulatory and supervisory bodies, owing to its extensive track record representing a major part of the Spanish banking industry. Its advisory role in the financial legislation process is clearly recognised by the different authorities.

The Confederation is also in an excellent position for dialogue on an international level. It is a member of the European Savings and Retail Banking Group and the World Savings and Retail Banking Institute, through which it participates in the advisory bodies of different international decision-making organisations, such as the European Banking Authority (EBA) and the European Banking Industry Committee (EBIC). It is also a member of the most influential global association of financial institutions, the Institute of International Finance (IIF).

CECA is also backed by Cecabank's network of representative offices in London, Frankfurt and Paris, strategically located to represent our members before the major European banking authorities and in international business opportunities.

The international regulatory agenda was stepped up in 2013. International institutions turn to CECA for banking information on the Spanish banking sector. Consequently, it receives annual visits from the IMF to prepare its Article IV report. It also met the surveillance mission several times during the financial assistance programme for recapitalisation of the Spanish banking sector.

Intense regulatory activity also continued on a national level last year, with major changes in the financial sector. CECA constantly monitored the different regulatory initiatives having the greatest impact on its members.

In this regard, CECA publishes *Panorama Regulatorio*, in which it sums up the most important aspects of the national and international regulatory agendas, daily, monthly and with special editions whenever a particularly interesting issue arises. It also allows its members and the public at large to consult its Financial Legislation data base, containing financial laws, regulations, bills and other provisions. Finally, it issues a weekly progress report on the sector restructuring process, which is sent out to the principal national and international players.

Apart from these publications, CECA holds Regulation Workshops, with the participation of distinguished members of the principal authorities, who describe and explain the regulatory developments in progress.

Within the extensive regulatory agenda for 2013, we represented our members' interests essentially in the following aspects:

4.1.1 Savings Banks and Banking Foundations Act

The most important event during the past year was the new Savings Banks and Banking Foundations Act (see table), which defines the new legal framework of the sector. CECA had an active participation throughout the process of developing this Act. Much of the work of the association's different committees and working groups was focused on this new regulation, owing to its enormous impact on the different areas of activity of its members.

TABLE:

Savings Banks and Banking Foundations Act (Act 26/2013 of 27 December 2013; published in the Official State Gazette -BOE- on 28 December)

The Act defines the future legal regime of savings banks and the new regulations on banking foundations:

I. SAVINGS BANKS

- Area of activity limited to one autonomous community or adjoining provinces, up to a maximum of 10.
- Main activity capturing deposits and granting loans.
- Focus on Social Work.
- Their governing bodies are the general assembly, the board of directors and the compliance committee. Holding office as member of one of the governing bodies of a savings bank will be **incompatible**, for a period of two years, with election to any political office or the holding of any public office in administration.
- Savings banks must prepare and deliver an annual corporate governance report and a remuneration report.

II. BANKING FOUNDATIONS

- A **banking foundation** is a foundation holding a direct or indirect interest of **at least 10% of the capital or voting rights** of a credit institution, or an interest that enables it to appoint or remove a member of the board.
- Their main function is **management of their social work** and their holding in the credit institution.
- Their **name** must include the words "**banking foundation**" and they may use the names of the savings banks they are linked to.
- They will be governed by the **legal regime** established in this Act and, in any aspects not covered, by the general laws and regulations on foundations (Foundations Act 50/2002 of 26 December 2002).
- The governing bodies of banking foundations are the Board of Trustees and its delegated committees, the General Manager and other bodies contemplated in their Articles of Association.

∆ **Transformation of savings banks into banking foundations**. If a savings bank exceeds the following limits on a consolidated level, it must transfer the capital tied to its financial activity to a credit institution:

- consolidated total assets of **over €10 billion**, or
- market share of deposits in its autonomous community of **over 35%**.

∆ **Shareholding interests in credit institutions**

- If a foundation (or several acting in concert) holds an interest of **over 30%** in a credit institution, or such other interest as may enable it to **control** the credit institution on the terms defined in the Commercial Code, those foundations must meet additional requirements, namely:
  - Preparation of a financial interest management protocol indicating the basic criteria of that strategic interest, list the relationships between the board of trustees and the governing bodies of the credit institution, establish the operating criteria governing relationships between them and define how possible conflicts of interest are to be avoided. This plan shall be public and subject to prior approval by the Bank of Spain, which will define its minimum contents.
  - Preparation of an annual financial plan indicating how the credit institution's possible capital requirements will be met and the foundation's investment criteria and strategy in the financial institution.
- If the share held by the foundation (or foundations) in the credit institution **exceeds 50%** or permits control of the institution on the terms defined in the Commercial Code, the financial plan shall also include:
  - **A risk management and investment diversification plan.**
  - The **funding of a reserve**, which **will not be necessary** if the diversification plan includes a divestment programme to reduce its interest in the credit institution to below 50% over a period not exceeding five years.
- The banking foundations will be **controlled** by the **supervisory authority**, which will be the regional government if the foundation's main area of activity is confined within an autonomous community, or the Ministry of Economy and Competitiveness if its area of activity extends beyond the boundaries of one autonomous community.
- Banking foundations will be obliged to publish an **annual corporate governance report**.
- They will be **taxable** for corporate income tax under the general regime and may not apply the special tax regime established for ordinary foundations.

- **Special foundations** will be converted into banking foundations within no more than six months after the entry into force of this Act if they meet the applicable requirements, and will otherwise be converted into ordinary foundations. **Ordinary foundations** with an interest of over 10% will only be converted into banking foundations if they increase that interest.
- **Pawnbroking** may be attached to the Social Work of savings banks, banking foundations, credit institutions controlled by banking foundations and ordinary foundations.
- Savings banks, banking foundations and credit institutions linked to them may be grouped into territorial **Federations.**

4.1.2 Retail market

The most important projects analysed and monitored on the retail market were:

- Royal Decree-Law 6/2012 of 9 March 2012 on urgent measures to protect mortgagors with no means of support, establishing mechanisms for rescheduling the mortgage debt of debtors in extremely precarious situations and making mortgage foreclosure more flexible, as well as application by financial institutions of the Code of Good Practices, which contemplate three phases to assist debtors: (1) rescheduling of debt, (2) debt relief and (3) payment in kind plus social rental for 2 years.

- Royal Decree-Law 27/2012 of 15 November 2012 on urgent measures to reinforce protection of mortgagors. The essential purpose of this provision is to secure immediate suspension for a period of two years of the eviction of families on the threshold of exclusion. The Government was also entrusted with the task of promoting, together with financial institutions, the creation of a pool of social rental housing. This provision was repealed by Act 1/2013.

- Act 1/2013 of 14 May 2013 on measures to reinforce protection of mortgagors, rescheduling of debt and social rental housing, stipulating the immediate suspension for a period of two years of the eviction of families who are on the threshold of exclusion. This Act introduced certain amendments:

- to the Mortgage Act (Decree of 8 February 1946 approving the new official text of the Mortgage Act) to improve the terms and conditions of mortgages established over borrowers' normal residence.
- to the Code of Civil Procedure, Act 1/2000 of 7 January 2000, to expedite and increase the flexibility of the foreclosure procedure, protecting the debtor's rights and interests.
- to Royal Decree-Law 6/2012, altering its scope of application and the measures that may be taken.

- CECA has analysed thoroughly the contents of the information to be reported to the Bank of Spain on the Code of Good Practices, as regulated in Royal Decree-Law 6/2012.
- In the area of Customer Services, allegations have been drawn up and analysed to the National Security Market Commission (CNMV) Circular 7/2013 of 25 September 2013 regulating the procedure for solving claims and complaints against investment firms and answering consultations on the securities market.

4.1.3 Solvency and liquidity

The main areas of the association's activity within the area of solvency and liquidity were:

- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (hereinafter CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter CRD IV). The principal effects that these provisions will have on Spanish entities were identified and analysed and reported to the Bank of Spain to be taken into account when transposing these regulations into Spanish law and applying national discretionalities.
- Credit institutions solvency and supervision bill transposing CRD IV into Spanish law.
- Draft Circular on exercising different regulatory options contemplated in CRR.

- Bank of Spain Circular 4/2013 of 27 September 2013 amending 3/2008 of 22 May 2013 for credit institutions on determination and control of minimum capital requirements, aiming to improve the treatment of SMEs for calculation of the capital requirements for credit risk.
- Draft circular amending Circular 4/2004 of 22 December 2004 on public and supervisory reporting and models of financial statements to apply the balances remaining from provisions for financing related with the promotion and construction of real estate established for risks qualified as normal at 31 December 2011.

4.1.4 Taxation

In the tax area, the principal issues in terms of importance and extent were:

- Treatment of tax assets in the Draft Regulation CRD IV and proposal to include a provision in corporate income tax to enable the "monetisation" of tax assets.
- Tax regime for banking foundations under the new Savings Banks and Banking Foundations Act.
- Tax regime for credit institution restructurings and transfers of bank assets to asset management companies and SAREB.
- State and regional taxation of deposits at credit institutions.
- Proposals for the implementation of a pan-European financial transaction tax.
- New aspects in the Foreign Account Tax Compliance Act (FATCA).

4.1.5. Payment systems and transactions

- Representation in national and international interbank forums to promote the management of initiatives for cooperation in operating aspects, especially payments, and strengthen relations with the authorities to defend the interests of the institutions it represents.
- Participation in the SEPA Migration Workshops organised by the Bank of Spain, coordinating such migration in CECA members.

4.1.6 Securities Markets

The reform of the Securities Market is still closely monitored by CECA, especially in the following matters:

- Proposal for Markets in Financial Instruments Directive (MiFID 2).
- CNMV Circulars on the Annual Corporate Governance Report and the Corporate Remunerations Report.

- Transposition of the Directive on Alternative Investment Fund Managers (hedge funds).
- The European Securities and Markets Authority (ESMA) recommendations on remuneration policies and practices under the MiFID.
- The draft CNMV Circular on control functions.

4.1.7. Money Laundering

The main issues concerning Money Laundering during the year were:

- The SEPBLAC recommendations on internal control measures.
- The Regulations developing the Anti-Money Laundering and Anti-Terrorist Financing Act.
- The new Risk Operations catalogue.

4.1.8. Accounting

CECA participated in several consultations put to the Sector by regulatory authorities during 2013. Among these consultations, the Bank of Spain published several draft circulars:

- Circular 7/2010 of 30 November for credit institutions developing certain aspects of the mortgage market.
- Circular 3/1998 of 27 January for authorised appraisal services and companies on reporting to the Bank of Spain.
- Circular 4/2004 of 22 December for credit institutions on public and supervisory financial reporting standards and model financial statements.
- Circular 1/2013 of 24 May on the Risk Information Centre.

4.2 Economic Analysis Services

“CECA publishes the public financial statements of all its members”

The Confederation compiles and analyses the financial information on the sector and the financial system overall for its members. After screening, aggregation and analysis, this information is disclosed to its members through different regular publications: Economic and Financial Report, Consolidated Earnings Report, Financial Information Flashes and specific Financial Reports on relevant issues such as past due positions, own funds, property investments and others.

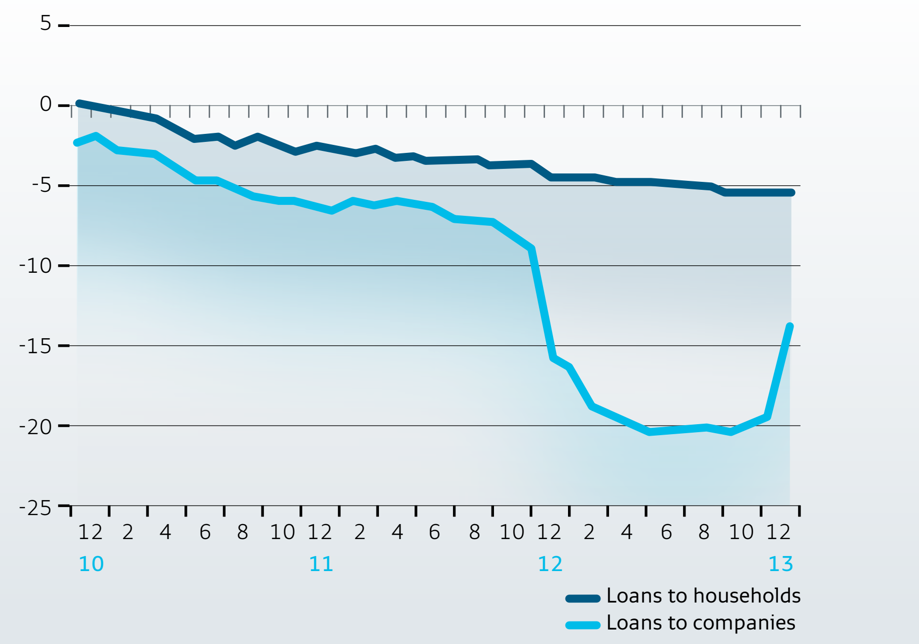
CECA also publishes the separate and consolidated public financial statements of each and all of its members on its corporate website.

During 2013, the CECA Research Department submitted the following issues to special surveillance:

4.2.1. Bank financing of the private sector

Despite the improvement in liquidity and macroeconomic outlook, especially as from the second half of 2013, the evolution of private sector financing has remained weak. This was partly due to the process of corporate and household deleveraging, which increased in 2013 especially in the CECA sector, the shedding of investments by some institutions as a result of the measures established in their restructuring plans, and the need to reduce exposure to real estate credit.

Private sector lending. Deposit institutions



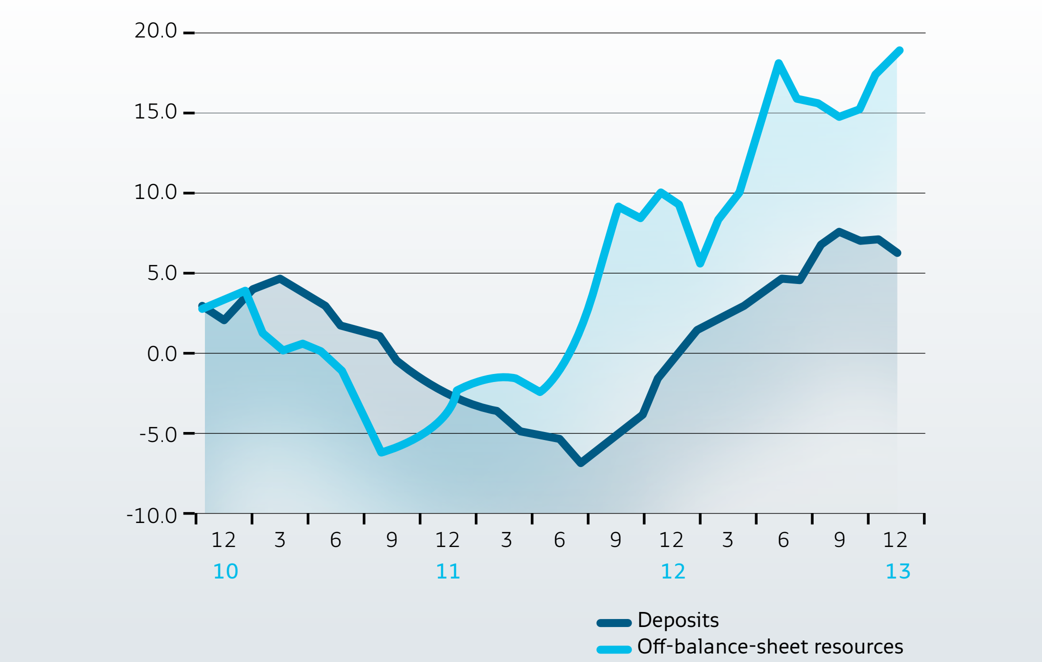
Loans to the private sector declined steadily over 2013, falling to -9.3% in deposit institutions in general and -12.6% in the savings banks sector. Loans to households The fall in loans to households steepened towards the end of the year, associated mainly with the decline in loans to purchase housing. Meanwhile, the downward trend in loans to companies started to level off in December, although this was due merely to the effect of transferring developer loans to SAREB in December 2012.

Despite the negative evolution of loans and credits, at year-end there were favourable signs pointing to an upturn in loans and credit granted to the private sector, with positive growth rates at the end of 2013 in both consumption and SMEs.

4.2.2. Evolution of retail savings products

Last year was a turning point in the composition of household savings in respect of the pre-crisis situation. In recent years, households have channelled much of their financial savings through deposits and fixed income products (notes and government debt), but in 2013 there was sharp growth in both equity instruments and investment funds, favoured by a very positive scenario on the stock markets. The growth rate of retail deposits levelled off towards the end of 2013, with a year-on-year growth rate in December of 4.5% for all deposit institutions and -0.8% for the savings banks sector. The reduced return on deposits and the search for larger margins in a context of reduced liquidity margins account for the slight downturn in deposits contrasting with the sharp rise in off-balance-sheet resources in 2013, especially in investment funds. The capital of unit trusts rose by €31.1 billion last year, the largest growth in the past 15 years. This was due mainly to the increase in net subscriptions of members and, to a smaller extent, to the rise in value thanks to the positive evolution of the stock market.

Retail resources. Deposit institutions



4.2.3. Evolution of banking default: impact of the review of the refinanced loan portfolio

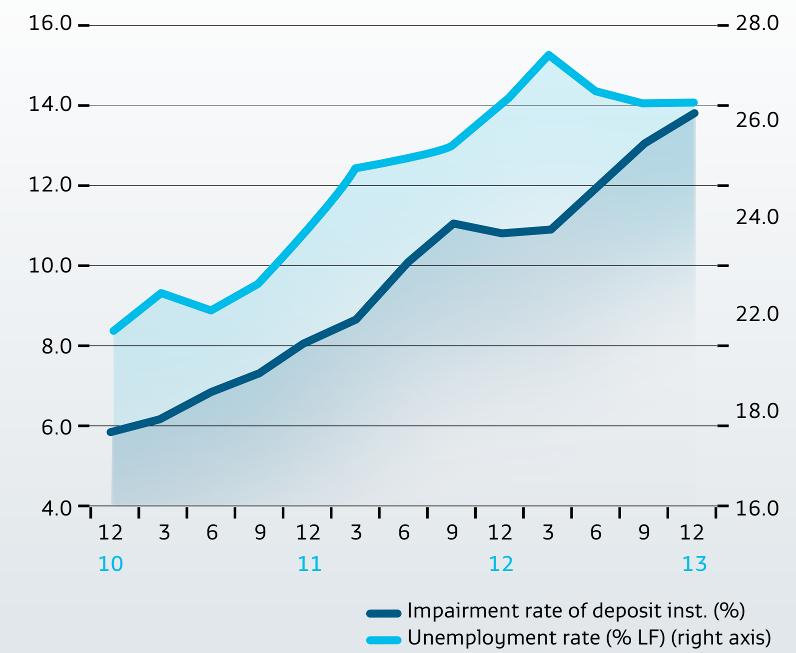
The rate of impaired loans to the private sector continued to rise throughout 2013, after the drop in December 2012 and February 2013 caused by the statistical effect of transferring impaired property loans to SAREB (the "bad bank"). The impairment rate rose by 1.9 p.p. over the year in the savings bank sector, to 13.5%, slightly below the impairment rate for all deposit institutions (13.8%).

The upturn in the impairment rate over 2013 was caused by an increase in the balance outstanding of nonperforming loans, but also, to a large extent, by the reduction in loans granted. It should be noted in respect of the dividend that apart from the continued weakness of the business cycle and the rising unemployment, the rise in past due debts as from June 2013 was related with the process of reviewing the refinanced loan portfolio.

In March 2013 the Bank of Spain requested all financial institutions to review by 30 September the accounting classification of refinanced loan portfolios and the corresponding accounting effects that might derive from that review. Some institutions made that review at the end of the first half of the year, which was one of the main causes of the increased past due position in that period.

According to provisional details of the Bank of Spain for the whole financial system, the result of this review was a sharp drop in normal refinanced risk (35%), a moderate increase in the sub-standard refinanced portfolio (10%) and a significant increase in impaired positions (29%). As a result of these reclassifications, the amount of additional provisions required to cover these impaired loans was €5 billion for all deposit institutions.

Evolution of retail business and the rate of the impaired OSR. Deposit institutions.



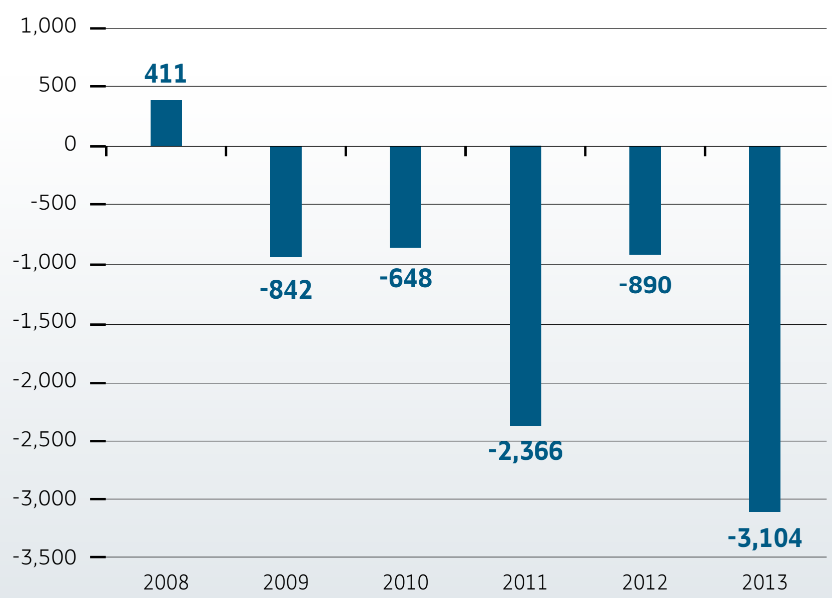
By sectors of activity, figures referring to the savings bank sector in December 2013 show an increase in impairment in all types of loans and credits, although growth was especially intense in the last quarter in the property companies' sector (rising 2.7 p.p. over the quarter to 34.8%) and non-housing household loans (up 1.9 p.p. to 14.8%). The impairment of household loans for housing continued to rise and was slightly over 6% at year-end.

4.2.4. Progress in the sector restructuring process

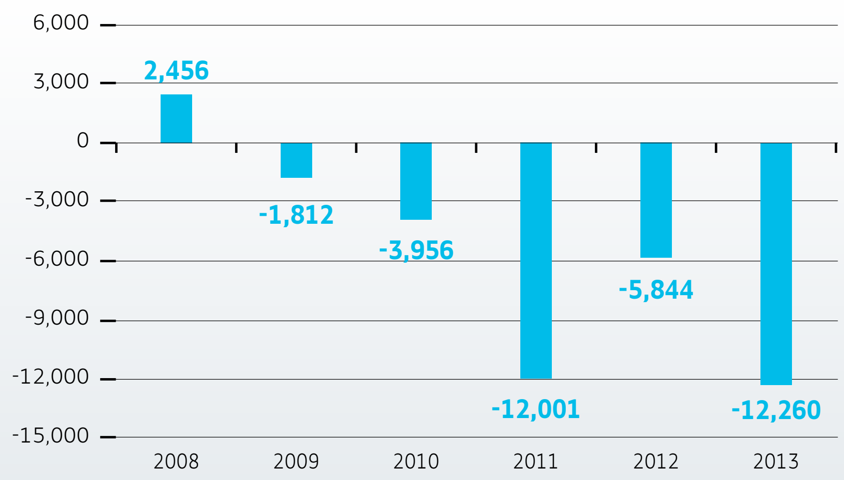
A key element in the recovery of investors' confidence in the Spanish economy over 2013 was the strengthening of our financial system, achieved through the unprecedented reform of the Spanish banking sector in recent years, especially in the savings banks sector. This reform, it is recalled, began in 2009 with the creation of the Fund for Orderly Bank Restructuring (FROB) and intensified in 2011 with Royal Decree-Law 2/2011 on strengthening of the financial system. But progress was not decisive until 2012 with Royal Decree-Laws 2/2012 and 18/2012 on restructuring of the financial system and, finally, the Memorandum of Understanding (MOU) agreed with the European Commission in July.

So after five years of financial reform, the adjustments made by financial institutions have finally begun to bear fruit. The first outcome of the process is the consolidation of institutions. The sector has been downsized from 45 institutions with an average volume of €29.4 billion (December 2009) to 12 institutions or groups of institutions, with an average volume of assets of €90.8 billion (September 2013). Secondly, bank balance sheets have been thoroughly restructured and freed of debt by increasing the provision requirements and transferring assets related with the real-estate sector to SAREB. Through these measures, the financial system's exposure tot he property sector has been reduced, this being one of the principal factors of vulnerability in the past crisis. Thirdly, solvency ratios have been improved in both Spanish institutions recapitalised with public funds and those not requiring such injections of capital. Consequently, all groups of Spanish financial institutions amply meet the capital requirements of 9% defined by the EBA. Finally, banks and savings banks have been submitted to intense streamlining of employees and branches. The number of branches was reduced by 3,104 over 2013 and 7,852 since the beginning of the crisis, which is a cumulative reduction of 33.9%. The number of employees was cut by 12,260 in 2013 and 36,644 since the beginning of the crisis, which is a cumulative reduction of 29.5%. A deeper analysis of the reduction of employees in the savings banks sector shows that this reduction is occurring in both the commercial network and the central services, with cumulative reductions of 21.4% and 36.7%, respectively, since the beginning of the crisis. With the greater cutbacks in central services, the weight of employees in central services in proportion to total employees has fallen, from 19% in 2008 to 16% in June 2013.

Branches. Savings Banks Sector. Annual variation



Employees. Savings Banks Sector. Annual variation



4.3 Social Investment

The members of CECA are characterised by the “3 Rs” with which all WSBI members and retail banks are identified: Retail, Responsible and Rooted. CECA promotes this model of banking activity through the Corporate Social Responsibility of banks and savings banks and the Social Work performed by the foundations, savings banks and pawnbroking.

4.3.1 Social Work

The Social Work of the sector can be developed through the members or their foundations and through the foundations created by savings banks that have transferred their banking activities to an instrumental bank. CECA endeavours to foster professionalism in the management of Social Work to enhance its efficiency.

From this starting point, work developed in two directions in 2013. On the one hand, the interchanging of experience continued, especially to identify alternative lines of financing to those generated by interests held in the banks created by the savings banks. The interchanging of experience is essential to open up new management possibilities that make social work more financially sustainable.

On the other hand and related with this, the Confederation has also worked on defining forms of relationship with banks in addition to the holding of shares, to identify areas of common interest. The ultimate goal is to maintain the historical relationship between financial activity, now performed through the bank, and social activity, developed by the foundations.

These two lines of work have been developed through the monitoring of laws and regulations with a major impact on the structure and operations of foundations and savings banks and the experience of other European countries that have followed similar processes, such as Italy.

4.3.2 Corporate Social Responsibility

One of the main lines of work in 2013 was concerned with the extra financial reporting, particularly including analysis of the new G4 reporting guidelines of the Global Reporting Initiative, officially presented in Spain by CECA. The Confederation also contributed regularly on behalf of the sector to the consultations launched by the International Integrated Reporting Council (IIRC).

Another important issue was the renewed commitment to the National Financial Education Plan, extended to 2017 by CECA and numerous members and associates.

With regard to the promotion of financial education by CECA, we highlight the considerable growth in the number of visits to the website www.rededucacionfinanciera.es and the presence of the Spanish Financial Education Network, headed by CECA, in the social networks. As in other years and within the framework of the Network, the IV Financial Education Conference was held at CECA, with a new format and numerous speakers and attendees. Participants from government and international bodies included representatives of the CNMV, the Directorate General for the Treasury and Financial Policy and the OECD; and a large number of financial and welfare institutions participated from the private sector.

Current affairs include the efforts to promote social rental housing, particularly based on the Social Housing Fund promoted by the Government, to which the sector contributes 54% of the total. CECA participates, on behalf of the sector, in the Fund Coordination and Monitoring Commission, chaired by the Ministry of Economy and Competitiveness. This Commission discusses issues related with the development of this programme, coordination among the participants and analysis of its results.

CECA has developed a system for its members to manage the pool of housing allocated to the Social Housing Fund and requests from potential beneficiaries. This system enhances efficiency, enables automation of the process and assists reporting to the Bank of Spain.

The work done by the sector CSR Committee was particularly important to define a general framework for a whistleblowing channel, complementing members' codes of conduct. This work will continue in 2014, developing a framework for informing on and promoting this channel.

The Emergency Protocol signed with the Spanish Fundraising Association (AEFr) was activated for the first time in 2013 following the Typhoon Haiyan Tragedy in the Philippines. This Protocol is intended to promote and facilitate donations by individuals through accounts at member institutions.

An updated account of the sector's activity is posted on the website www.ceca.es/rsc.

Owing to the recent restructuring of the sector, the growth in pawnbroking during the crisis and the recent lowering of the price of gold, a strategic analysis of the sector is required. Pawnbrokers want to open up to a broader public, including upper middle classes and small entrepreneurs. They want, therefore, to become another alternative for obtaining small, fast-track loans.

The activity of the auctions portal (www.subastasmontes.es) increased in 2013. Its applications have been improved to make it easier for clients to buy. CECA has also worked intensely on improving the visibility of this activity through traditional and digital means.

4.3.3 Pawnbroking

The pawnbroking activity has been largely determined by the regulatory agenda and the new regulations affecting its operations and its situation as an activity within the banks or foundations.

5 REPRESENTATION FORUMS

External forums

Internal forums

5.1. External forums

International forums in which CECA represents its members

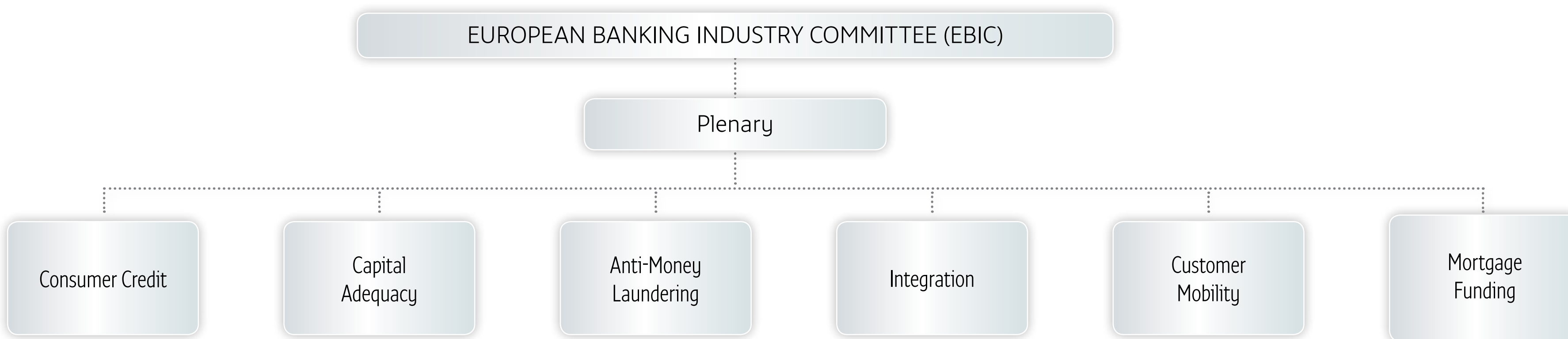
Official organisations

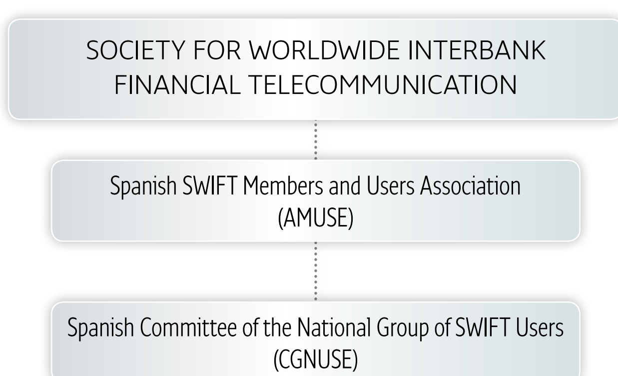
- EUROPEAN CENTRAL BANK
  - Euro Securities Infrastructures (COGESI)
  - Corporate Action Technical Group
  - Operations Managers Group (OMG)
  - European Financial Markets Lawyers Group (EFMLG)
  - Money Market Task Force
  - Advisory Group T2S

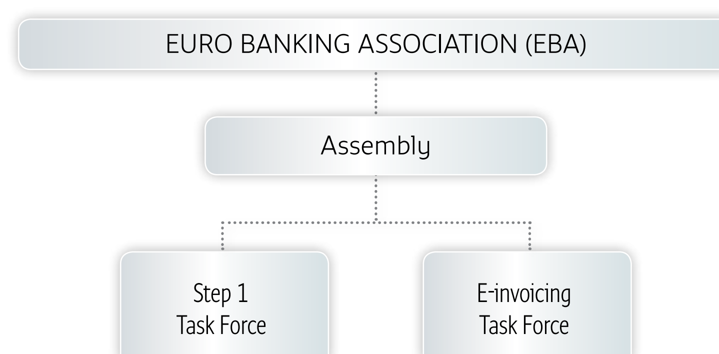
- EUROPEAN COMMISSION
  - Insolvency Law Group of Experts

- INTERNATIONAL FINANCIAL ACTION TASK FORCE (FATF)
  - Advisory Group

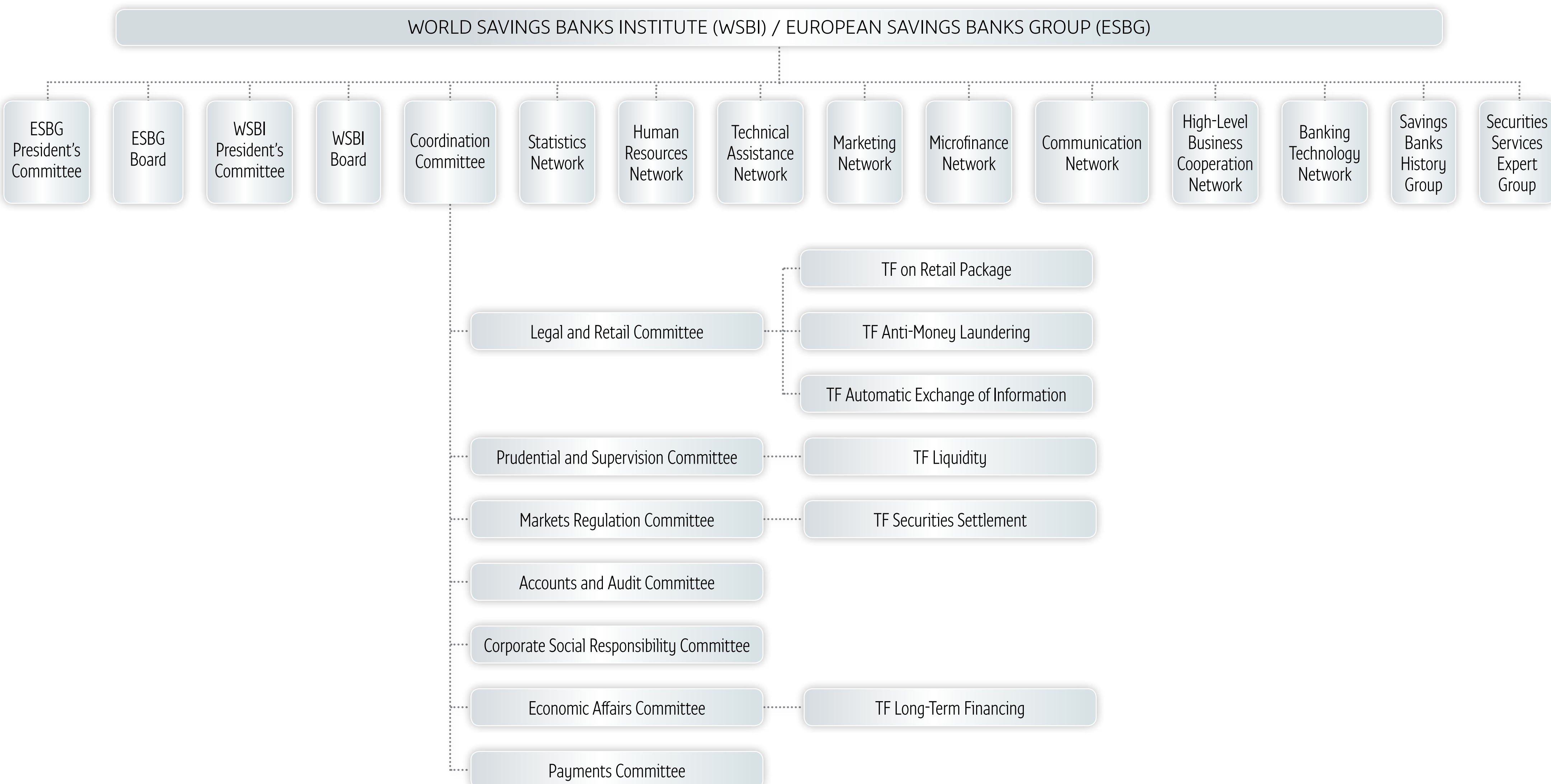
Organisations representing interests (1.1)







Organisations representing interests (1.2)



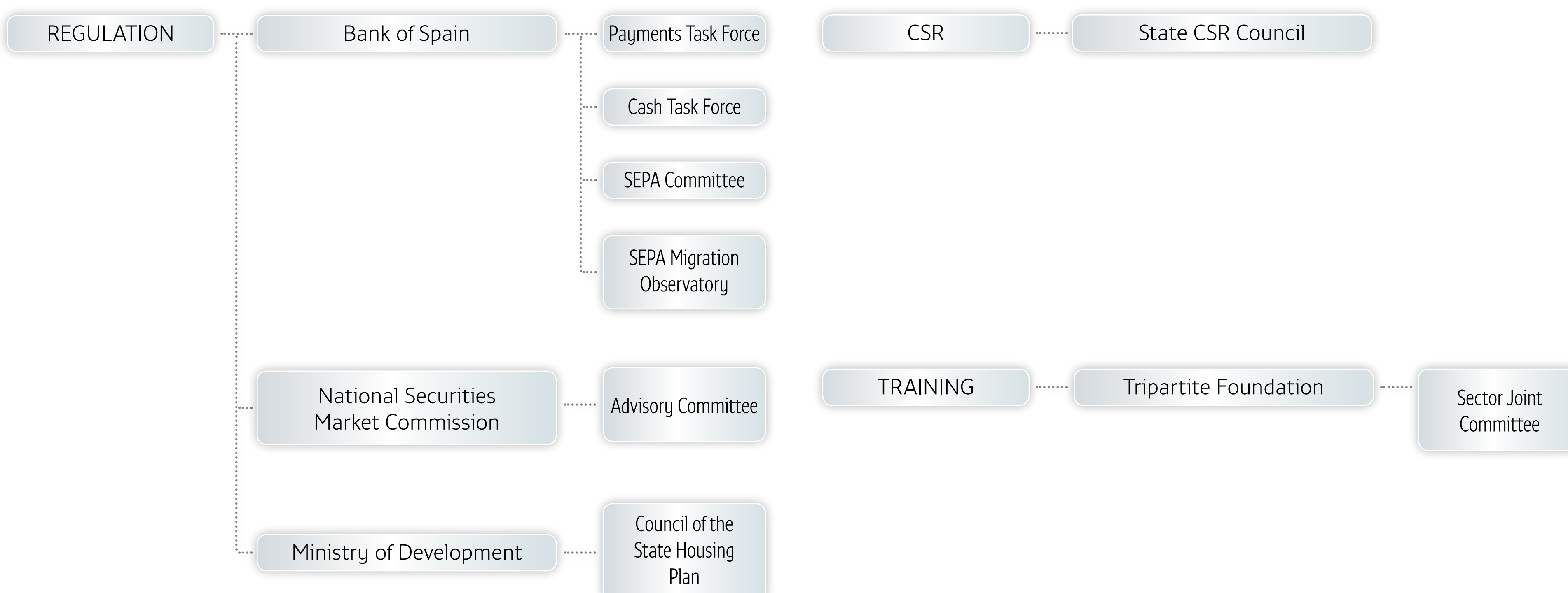
Other forums

- ACCOUNTING
  - European Financial Reporting Advisory Group (EFRAG)
- MARKETS
  - European REPO Council — Member
  - Euribor Steering Committee — ESBG Representative
  - Money Market & Liquidity Working Group — Member
  - EUREPO Steering Committee — EURIBOR-EBF
- CERTIFICATION
  - European Committee for Standardisation (CEN) — AFNOR-WORKSHOP XFS/JXFS
  - XBRL — Representative
- SOCIAL CREDIT
  - International Association of Pledging and Social Establishments (PIGNUS) — Member
- CSR
  - Global Reporting Initiatives (GRI) — Stakeholder Council
- MARKETING
  - European Financial Management & Marketing Association (EFMA) — Member

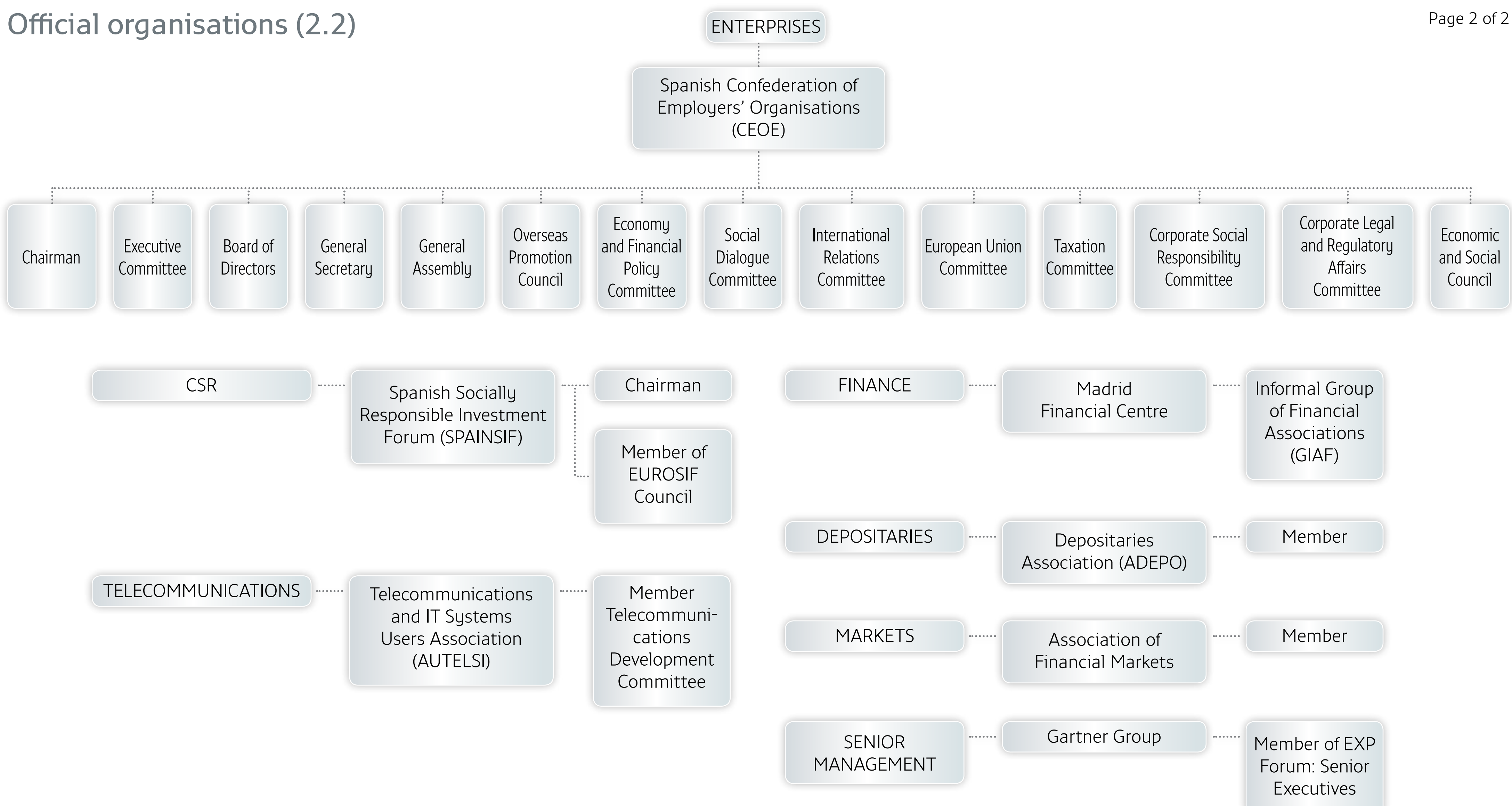
National forums in which CECA represents its members

Page 1 of 2

Official organisations (1.2)



Official organisations (2.2)



5.2 Internal forums

CECA's activity with its members is structured through a number of Committees and Working Groups, in which all the interested members participate

- COMMITTEES OF THE BOARD
  - Committee for Organisation, Automation and Service (COAS)
  - Foundations and Social Work Committees

- OTHERS
  - Marketing Committee
  - Communication Committee
  - Customer Services Committee
  - Legal Advisory Committee
  - Sector Regulation Compliance Committee
  - Taxation Committee
  - Capital Adequacy Group
  - Mortgage Market Expert Group
  - Accounting Forum
  - Social Responsibility Committee
  - Sector Social Work Committee
  - National Pawnbroking Institutions Committee
  - National Quality Committee
  - Internal Training Committee

6 CECA'S SOCIAL WORK: FUNCAS

6 CECA'S SOCIAL WORK: FUNCAS

The Savings Banks Foundation (Funcas) is particularly active in the promotion of economic and social studies and research and promulgating them through its publications or through the holding of or participation in public events, workshops and conferences.

During 2013 the contents of the different Funcas publications have been fuelled with eleven research studies on economic, financial and social issues and there are a further thirty-two research projects in progress. This research programme, largely carried out by researchers outside the Foundation, is complemented with intense internal work by the different divisions of Funcas. The work done within Funcas includes the preparation of several economic, social, financial and regional indicators; analysis of the economic situation and outlook; and the preparation of a panel of economic forecasts for Spain, which are updated regularly and are found very interesting and useful by researchers and analysts of these matters.

"Funcasblog was created in 2013, a blog on economics, finance and society, through which to broaden and improve the distribution of Funcas studies and publications"

With the aim of broadening the scope of its research activities, two new management divisions were created in Funcas during the year: the Public Economy Department, which studies national and international government and public administration activity, and the Education and Publication Department. The latter department acts in two areas: education, promoting and organising training activities to inform the Spanish population on economic and financial issues, and specialisation courses given directly or by arrangement through national or international organisations; and the distribution and publication of the broad array of scientific material produced by Funcas through social networking, for which it has created *Funcasblog*, a blog on economics, finance and society.

The Foundation publishes the journals *Papeles de Economía Española, Cuadernos de Información Económica*, *Spanish Economic and Financial Outlook* and *Panorama Social*; the collection of Funcas books and studies and the series of Working Papers. *Focus on Spanish Society* appeared on the scene in 2013, a new two-monthly electronic publication in English, containing significant social statistics and brief analyses based on those figures.

The Foundation also informs on its activities through public events, workshops or seminars organised by Funcas or in which it participates. In 2013 it participated in more than forty public events. At its headquarters it organised the seminars '*Rethinking the Spain Brand. What place for development, foreign investment and cooperation in development?* and *Human development in an aging society*, a workshop on *Banking and Quantitative Finance* and a conference on *Taxation in Spain: problems, challenges and proposals*, the contents of which will be used as the basis for a future edition of the journal *Papeles de Economía Española.* The presentations of our journals were also memorable events, including a workshop on *Telecommunications in Spain* to present edition no. 136 of *Papeles de Economía Española*, a workshop to present no. 137 of *Papeles de Economía Española,* entitled *Building a banking union*, and the presentation to the media of no. 17 of *Panorama Social* on *European citizenship at the crossroads*, and the Studies *Analysis of Indirect Taxes based on the Household Budget Survey. The Indirect Tax simulator of the Savings Banks Foundation (FUNCASindi)*, entitled *Europe, Germany and Spain: images and debates on the crisis*, directed by Víctor Pérez-Díaz, and *Integration, immigrants and cultural interchange: Family models and cultural patterns through the Spanish press*, held in Zaragoza. Within this area we should also mention the ceremony held to present the *Enrique Fuentes Quintana Awards for Doctoral Theses* from the 2011-2012 academic year and the *Research Incentive Programme* held at the Funcas headquarters on 28 November.

Funcas also received visits at its head offices from the representatives of several national and international economic bodies and institutions.

In the area of teaching, the Foundation directed the *XII Course of Experts in Managing Financial Institutions* in collaboration with the Carolina Foundation and began work on preparing the next course, which will be the thirteenth edition. In the area of Financial Education, an agreement has been reached with Radio Nacional de España, Radio 5, to broadcast the short radio programmes "Finance for Everyone" as from the end of November.

"In the area of Financial Education, an agreement has been reached with Radio Nacional de España, Radio 5, to broadcast the programmes Finance for Everyone"

FUNCAS

SOCIAL AREAS	ACCOUNTS	FUNDS APPLIED (€ 000)	%
Culture And Free Time		26.39	0.71
Culture	Theses, Incentive Programme, Conferences and Debates	26.39	
Free Time		--	
Medical & Welfare Assistance		20.00	0.54
Welfare Assistance	Reina Sofía Foundation	20.00	
Medical Assistance		--	
Education & Research		3,656.05	98.75
Education	Carolina Foundation + Master + Courses	14.94	0.40
Research & Development	Remaining budget	3,641.11	98.35
TOTAL		3,702.44	100.00

7

MANAGEMENT REPORT

for the year ended 31 December 2013

Confederación Española
de Cajas de Ahorros (CECA)
Management Report

CECA Group
Management Report

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Confederación Española de Cajas de Ahorros (CECA) is the Parent of the Confederación Española de Cajas de Ahorros Group (CECA Group). The companies composing the Group are detailed in Note 1 to the consolidated financial statements for the year ended 31 December 2013.

The main aim of this Directors' report is to provide information on the most significant initiatives developed by CECA Group in 2013, present the actual results obtained, and disclose both the most significant matters relating to risk management and the activities that will be carried out within the framework of the strategic lines of action defined for 2014.

1. Business performance and achievement of targets in 2013

This section contains a description of the main activities carried on in 2013 in the performance of the association's activity, which related to the objectives set by the Board of Directors on 18 December 2012.

All these activities were carried on with the support of the human and material resources of Cecabank, pursuant to the relationship protocol between CECA and CECABANK.

Regulatory Matters:

In defence of the interests of the savings banks and their groups, the priority **regulatory issues for the sector** were monitored, notably the drafting of the law on savings banks and banking foundations, in which the Confederación played a very active role in defending our members' interests, and the process to adapt to the European capital adequacy regulations (CRR/CRD IV).

Also subject to special monitoring were the drafting of the Directive on credit agreements relating to residential property, the draft Directive on access to basic bank accounts and other new developments published in relation to international financial regulatory policy. In order to **foster this strategic approach**, the Confederación participated actively in various forums and working groups, including most notably, at international level, the various committees of the European Savings Banks Group and the European Banking Industry Committee and, at domestic level, the groups created by the Bank of Spain.

Cooperation:

In the area of cooperation, innovation projects were developed with the aim of maximising the efficiency of the member entities in technological, operating, regulatory and customer management areas. The Confederación encouraged the exchange and dissemination of knowledge on best practices and experiences, both Spanish and foreign, through the committees of the Organisation, Automation and Services Committee (COAS), and active participation in the committees of the European Savings Bank Group. In this regard, worthy of note are the encouragement provided to the new financial reporting application to the Bank of Spain using the new European statements (FINREP and COREP), the new Bank of Spain Risk Information Centre regulations, the analysis and disclosures on the impact on savings banks and their groups of the entry into force of SEPA, the development and implementation of new agreements entered into with the public sector, and the participation in joint projects in relation to the following regulations: CRR/CRD IV, Suitability, EMIR, FATCA and Transparency.

With regard to resources, an exhaustive study was conducted of the entities' costs and efficiency, and the target size of their central service areas. A strategic review was performed of the transformation of the use of cash in the banking area and an analysis was performed on social networks and the entities' strategies in these areas. Efforts were made to promote the use of the balanced scorecard in the customer loyalty project, and a complete analysis was performed on the costs of the technology departments and on their new approach following the integration processes. Lastly, the R&D+I projects focussed on fostering the digital signature through mobility and the office of the future.

Advisory:

In the midst of the complex transformation of the industry, the savings banks and their groups have continued to be able to rely on the firm support of CECA's human and technical resources applied to the analysis and adaptation of the regulatory modifications and developments in the scope of legal, tax and accounting competencies. In this connection, advisory services were provided and solutions adapted to each entity's individual needs were proposed. Assistance was also provided to the entities in the interpretation of the Code of Good Mortgage Practices, acting as a liaison between the entities and the Bank of Spain.

Social work:

With regard to welfare projects, work was carried out in 2013 in two main areas: the exchange of experiences in order to adapt to the new framework arising from the restructuring of the entities, with particular emphasis on obtaining additional revenue to that of the investments in the credit institutions created from the savings banks; and the building of the relationship with the banks in order to identify areas of common interest that might enable additional support to be obtained for the foundations.

Furthermore, the Confederación closely monitored the latest regulatory developments, which have a major impact on the business of the foundations and the savings banks, and the experience in other European countries, primarily Italy.

2. Income statement

	THOUSANDS OF EUROS		
	December 2013	budget Dic. 2013	dif
Financial margin (*)	9,911	10,690	-779
Other operating income and expenses (net)	8,007	8,000	7
Gross income	17,918	18,690	-772
Operating expenses	-11,198	-11,552	354
Profit before tax	6,720	7,138	-418
Income tax	2,031	2,116	-85
Profit for the year	8,751	9,254	-503

(*) Includes net interest income plus dividends received

Gross income, which reflects in full the income obtained by the Entity, amounted to EUR 17,918 thousand. It consists of the interest obtained as the return on its available liquidity, the dividend collected in the year from its ownership interest in Cecabank and the membership dues paid by the CECA associate entities. Income from membership dues continued the decline of recent years, down 20% in 2013 on the previous year.

Operating expenses mainly consist of the dues paid to associations and the expenses arising from the support services that the entity has contracted from Cecabank, since it does not have internal resources to perform these activities.

Income tax accrued in 2012 amounted to a positive amount of EUR 2,031 thousand and, accordingly, the entity obtained a **profit for the year** amounting to EUR 8,571 thousand.

3. Risk management

At its meeting of 18 December 2012, as a consequence of the indirect performance of CECA's business through CECABANK, the Board of Directors passed a resolution whereby all the procedures for assessing, measuring and controlling risks that develop the general risk management principles defined by the CECA Board will be determined at CECABANK and will be applicable for the Group as a whole.

4. Significant events subsequent to year-end

No significant events have occurred subsequent to year-end.

5. Business outlook

With regard to **institutional representation and development**, the main association objectives will focus on:

- Representing, and defending the interests of, the member entities in the domestic and international regulatory agenda in 2014 (new capital adequacy regulations and the implementation of the DTAs and the law on savings banks and banking foundations).
- Strengthening the interest representation activity with regard to the Comprehensive Assessment and banking union (Frankfurt office).
- Adaptation of CECA's bylaws and the entity's tax and legal framework to the provisions of Law 26/2013, of 27 December, on savings banks and banking foundations.

6. Treasury shares

This section is not applicable since the Confederación does not have shares.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Confederación Española de Cajas de Ahorros (CECA) is the Parent of the Confederación Española de Cajas de Ahorros Group (CECA Group). The companies composing the Group are detailed in Note 1 to the consolidated financial statements for the year ended 31 December 2013. Cecabank represent 99.95% of the Group's assets.

The main aim of this Directors' report is to provide information on the most significant initiatives developed by CECA Group in 2013, present the actual results obtained, in comparison with the budget, and disclose both the most significant matters relating to risk management and the activities that will be carried out within the framework of the strategic lines of action defined for 2014.

1. Business performance and achievement of targets in 2013

In this section relating to business performance and the results obtained in the development of the business, comment will be made, on the one hand, on the most significant actions undertaken in order to achieve the main objectives set by the Group in 2013, within the framework of the permanent strategic lines of action which direct CECA Group's activities, and, on the other, on the attainment of the profitability targets through the various items of the income statement.

In relation to the first of these matters and within the framework of the contents of each strategic line, worthy of mention was the performance of the following actions:

1.1 Institutional representation and development

This section contains a description of the main activities performed in 2013 in the performance of the association's activity, which related to the objectives set by the Board of Directors on 18 December 2012.

All these activities were carried on with the support of the human and material resources of CECABANK, pursuant to the relationship protocol between CECA and CECABANK.

1.1.1. Regulatory Matters:

In defense of the interests of savings banks and their groups, a **monitoring of the regulatory matters** which are priorities to the sector, including most notably the drafting of the law on savings banks and banking foundations, in which the Confederación played a very active role in defending our members' interests, and the process to adapt to the European capital adequacy regulations (CRR/CRD IV).

Also subject to special monitoring were the drafting of the Directive on credit agreements relating to residential property and the draft Directive on access to basic bank accounts. In order to **boost this strategic focus**, it participated actively in various forums and working groups, including most notably, at international level, the various committees of the European Savings Banks Group and the European Banking Industry Committee and, at domestic level, the groups created by the Bank of Spain.

1.1.2. Cooperation

With regards to cooperation, the main objective has been to boost the collaboration of the sector in the development of projects aimed at improving the efficiency and effectiveness of the member entities, in technological, operating, regulatory and customer management areas. The Confederación encouraged the exchange and dissemination of knowledge on best practices and experiences, both Spanish and foreign, through the committees of the Organisation, Automation and Services Committee (COAS), and active participation in the committees of the European Savings Bank Group. In this regard, worthy of note are the encouragement provided to the new financial reporting application to the Bank of Spain using the new European statements (FINREP and COREP), the new Bank of Spain Risk Information Centre regulations, the analysis and disclosures on the impact on savings banks and their groups of the entry into force of SEPA, the development and implementation of new agreements entered into with the public sector, and the participation in joint projects in relation to the following regulations: CRR/CRD IV, Suitability, EMIR, FATCA and Transparency.

With regard to resources, an exhaustive study was conducted of the entities' costs and efficiency, and the target size of their central service areas. A strategic review was performed of the transformation of the use of cash in the banking area, and an analysis was performed on social networks and of the entities' strategies in these areas. Efforts were made to promote the use of the balanced scorecard in the customer loyalty project, and a complete analysis was performed on the costs of the technology departments and on their new approach following the integration processes. Lastly, the R&D+I projects focussed on fostering the digital signature through mobility and the office of the future.

1.1.3. Advisory

In the midst of the complex transformation of the industry, the savings banks and their groups have continued to be able to rely on the firm support of CECA applied to the analysis and adaptation of the regulatory modifications and developments in the scope of legal, tax and accounting competencies. In this sense, work has been carried out for advising the entities in the interpretation of the Code of Good Mortgage Practices, acting as a liaison between the entities and the Bank of Spain.

1.1.4. Social work

With regard to welfare projects, work was carried out in 2013 in two main areas: the exchange of experiences in order to adapt to the new framework arising from the restructuring of the entities, with particular emphasis on obtaining additional revenue to that of the investments in the credit institutions created from the savings banks; and the building of the relationship with the banks in order to identify areas of common interest that might enable additional support to be obtained for the foundations.

Furthermore, Confederación closely monitored the latest regulatory developments, which have a major impact on the business of the foundations and the savings banks, and the experience in other European countries, primarily Italy.

1.1.5. Institutional representation and development

In 2013 a programme of visits was undertaken to the main customers and counterparties, both Spanish and international, with the objective of promoting Cecabank's institutional brand and services, following its incorporation and the spin-off of assets and liabilities from the Confederación in 2012. Noteworthy was the Entity's participation as sponsor of the Spain Investors Day, a financial event designed to convey the strengths of the Spanish economy in order to encourage foreign investment in Spain. The event was attended by various members of the government and by the top executives of Spain's largest listed companies.

1.2 Efficiency and effectiveness

The Entity worked in this area towards the objective of achieving more efficient management without increasing resources. In line with this objective, more progress was made in the process of adjusting general expenses that was launched several years ago. A further reduction was achieved in 2013 through the application of various efficiency measures.

Following the major reduction in the workforce carried out in recent years, through pre-retirement plans (the last of which was implemented in 2013 and will involve 54 employees, mainly in the first quarter of 2014), the Entity continued with its workforce rationalisation process with the objective of adjusting the workforce to the new Entity's needs, by increasing the productivity and efficiency of human capital, through the active, dynamic management of the work position valuation process. In relation to the foregoing, energy consumption and the use of buildings were optimised. As a result, space was made available that enabled the Entity to reclassify some of its buildings and designate them as non-current assets held for sale, with the objective of reducing structural costs in the future.

A review and renegotiation plan was carried out in relation to the Entity's suppliers, which mainly affected technology expenses and gave rise to cost savings of between 5% and 10%.

In 2013, following the Entity's incorporation on 12 November 2012 and the commencement of its activities, the institutional launch of Cecabank was completed, in particular in relation to the changes to the Board of Directors, which was renewed by adapting it to the principles of good corporate governance, and the approval of the regulations governing the Board's support committees: Nomination and Remuneration Committees, Solvency and Liquidity Committee and Audit Committee. All of these committees were created in 2013 and were fully operational at 2013 year-end.

In respect of the reform of the clearing, settlement and registry of securities, in the course of 2013 an analysis was performed of the documentation published by Iberclear on the reform from both a functional and an IT standpoint. Development work has started on aspects already defined in the published documentation. Furthermore, project monitoring and advisory group meetings, at both Iberclear and the CNMV, were attended. Lastly, a multi-disciplinary internal working group was created to monitor the project and to design the commercial and operating policy following the reform.

1.3 Growth

The objective in relation to growth is to achieve an increase in the Entity's commercial performance and by broaden the customer base, which was materialised in various actions, the most significant of which are described below.

In the area of technology, agreements were entered into in relation to means of payment and interactive services with new customers, and the range of services provided by this area to traditional customers was broadened. In addition, contact was made with technology consultants and other foreign networks in order to analyse the possible distribution of solutions outside Spain.

In the Association area, a considerable increase was achieved in the consultancy and regulatory advisory services provided in connection with the new regulations on financial information, capital adequacy, suitability and EMIR.

In the area of resources, the ESCA training centre carried out an intense commercial activity in the year to attract new customers, both domestic and foreign.

Once again in 2013, continuing the trend initiated in 2012, there was noteworthy growth in the securities and depository activity, due to the acquisition and integration of the business from other entities, whereby the Entity affirmed its commitment to growth in the Securities Services line of business.

1.4 Innovation

In 2013 projects were carried out to design and implement advanced digital payment solutions based on mobile devices, enabling payments between individuals, secure internet purchases, management of offers and promotional discounts.

In the area of business process management, BPM technologies were applied to automate complex processes that affect various departments and players involved in the execution of these business processes. In particular, they were applied to the Customer Care project, enabling management of the complete life cycle of a claim. This technology was also used for managing the property sales processes through the BMN property website.

In the area of business intelligence, further progress was made on the Payments Business Intelligence project, which is an advanced customer management project, through the design and creation of new groups of indicators based on behaviour patterns, through the analysis of payment instrument activity.

In line with the Entity's strategic positioning, in 2013 work was carried out on developments designed to optimise the procedures connected with Securities Services. Processes were automated with the objective of achieving more efficiency and minimising the incidents arising from the activity.

2. Income statement

	THOUSANDS OF EUROS			
	2013	Budget	Variance	%
Financial margin (*)	153,692	72,453	81,239	112
Commission and operating income	132,876	113,349	19,527	17
Gross income	**286,568**	**185,802**	**100,766**	**54**
Operating expenses (including provisions)	(196,272)	(152,604)	(43,668)	(29)
Profit from operations	**90,296**	**33,198**	**57,098**	**172**
Other operations	(16,923)	-	(16,923)	(100)
Profit before tax	**73,373**	**33,198**	**40,175**	**121**
Income tax	(20,954)	(8,985)	(11,969)	(133)
Profit for the year	**52,419**	**24,213**	**28,206**	**116**

(*) Includes net interest income, income from equity instruments, the gains and losses on financial assets and liabilities and exchange differences.

Profit before tax for 2013 exceeded the budget by 121% and after-tax profit for the year by 116%.

If the income statement is analyzed with regard to the various margins composing it, the **net interest margin** exceeded the forecast by EUR 81 million, of which EUR 65 million were obtained from dealing room activity and EUR 16 million of gains were obtained from equity investments. The extraordinary income from dealing room activities is the result of an adequate management of the products offered, the diversification of its activities and the liquidity position maintained in financial assets and liabilities.

Gross income, which reflects in full the net income obtained from operating activities, reached EUR 287 million, exceeding the forecast by EUR 101 million of which, the most significant amount arises from **net interest margin**, as mentioned before. It is also remarkable the EUR 20 million increase obtained from fees and commissions mainly arising from operations performed in technical, operational and dealing room services.

The total increase in **operating expenses** beyond the budgeted amount was EUR 44 million and comprises mainly depreciation and amortisation charges that were EUR 13 million more than forecast, as a result of the amortisation of businesses acquired in the year, the EUR 6 million provision for adjustments to and rationalisation of the Entity's international office network and, lastly, of an extraordinary provision of EUR 25 million to meet the obligations for the early retirement agreements for a total of 54 employees.

"Other Gains and Losses" includes the impairment of certain items, mainly properties owned by the Entity that, as a result of the restructuring of activities and the workforce carried out in recent years, ceased to be used for carrying on the business and began to be classified as non-current assets held for sale. This rationalisation will enable the Entity to reduce its overhead costs in the future and improve its efficiency ratios.

3. External credit ratings

The ratings assigned to CECABANK, at 31 December 2013 by the international agencies *Fitch Ratings, Moody's* and *Standard & Poor's* are the followings:

	Short Run	Long Rung
FITCH RATINGS	F3	BBB-
MOODYS	NP	Ba3
STANDAR & POOR'S	B	BB+

4. Risk management

In notes 23, 24 and 28 of the annual report is all the information related to objectives, politics and procedures in risk management of the Entity, as its exposure by type of risk.

5. Significant events subsequent to year-end

No significant events have occurred subsequent to year-end.

6. Business outlook

Analyzing the activity that the Group plans to carry out in 2014, a distinction will be made between the matters relating to the association services carried out through CECA from the business tasks performed by CECABANK.

In relation to the first area, the strategic objectives set by CECA for 2014 focus on:

- Representing, and defending the interests of, the member entities in the domestic and international regulatory agenda in 2014 (new capital adequacy regulations and the implementation of DTAs and the law on savings banks and banking foundations).
- Strengthening the interest representation activity with regard to the Comprehensive Assessment and banking union (Frankfurt office).
- Adaptation of CECA's bylaws and the Entity's tax and legal framework to the provisions of Law 26/2013, of 27 December, on savings banks and banking foundations.

In the business area, the development of the objectives for 2014 centres mainly on CECABANK, the entity through which the Group carries on its financial activities and provides services, and which, as part of its creation process, the **business lines** were analysed internally in order to define and submit to the Bank of Spain a plan with the core businesses on which Cecabank was going to focus its activity. Based on this analysis, in 2013 the Entity prepared, approved at Board level and launched a strategic plan for 2013-2016. As part of this plan, various strategic business initiatives were launched, all focussed on strengthening the businesses of the future, ensuring ordered progress of the businesses in transition.

The Strategic Plan focuses on three core business activities: Securities Services, Treasury and Banking Services. The benefits of this model are:

- Strong synergies between the three blocks of business.
- Businesses that are resilient to market cycles.
- A successful model with a proven track record that is compatible with current regulations.
- Based on the provision of services to financial institutions, focussed on their non-core businesses in which the provider has capacity to act as a demand aggregator.
- Leverage of Cecabank's current abilities.

In this respect, the new vision of Cecabank would be:

A **Spanish wholesale bank** with a vocation to provide services to financial institutions, specialised in:

- **Securities services**
- **Treasury**
- **Banking services**

Whose management philosophy is based on prudence, rigorous knowledge and openness to change.

As part of this Plan, the Entity established several strategic challenges around which its lines of action for coming years will be set:

TO ENSURE CHANGE MANAGEMENT RELATING TO THE NEW STRATEGIC PLAN FOR ALL STAKEHOLDERS		
TO STRENGTHEN THE BUSINESSES OF THE FUTURE	TO ENSURE ORDERED PROGRESS OF THE BUSINESSES IN TRANSITION	TO ADAPT THE ORGANISATION TO THE NEW PLAN

Based on these "pillars", a series of objectives have been adopted that specify the actions to be carried out in the course of 2014:

- To strengthen the businesses of the future:
  - To leverage current leadership: the Entity will work to reinforce contacts with the main Spanish and international customers and counterparties in the Securities Services business.
  - Customer diversification: a major commercial action plan will be implemented aimed at broadening the customer base.
  - Business diversification: in the area of banking and payment services, the Entity will develop management and digital solutions for new banking and payment services and processes.

- To ensure ordered progress of the businesses in transition:
  - To rationalise the businesses based on their profitability/viability: the Entity will design and launch procedures providing enhanced information on the profitability of the businesses to support decision-making regarding the investment in and divestment of activities.
- To adapt the organisation to the new plan:
  - To review and rationalise the activities and functions performed in order to obtain more efficiency: to reorganise resources by seeking to reduce external expenses without losing value, with the aim of achieving more efficiency and providing sufficient resources to the businesses with most future potential.
- To ensure change management relating to the new Strategic Plan for all stakeholders: customers, shareholders and employees.

The Strategic Plan initially includes 22 strategic business initiatives for strengthening the businesses of the future and ensuring ordered progress of the businesses in transition. The Entity monitored these initiatives on an ongoing basis and, at the end of the year, it classified some of them as completed and included new initiatives, in order to maintain the Plan's momentum.

While the results forecast in the Strategic Plan do not reflect spectacular growth, they show a radical transformation of the Entity based on the broadening of the customer base, a new, more specialised portfolio of services and prudent effective management.

8 FINANCIAL STATEMENTS

Balance sheets and accounts Confederación Española de Cajas de Ahorros (CECA)

Balance sheets and accounts CECA Group

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 1 of 2

ASSETS	2013	2012 (*)
1. Cash and balances with central banks	-	-
2. Financial assets held for trading	-	-
Memorandum item: Loaned or advanced as collateral	-	-
3. Other financial assets at fair value through profit or loss	-	-
Memorandum item: Loaned or advanced as collateral	-	-
4. Available-for-sale financial assets	-	-
Memorandum item: Loaned or advanced as collateral	-	-
5. Loans and receivables (Note5)	10,691	13,542
5.1 Loans and advances to credit institutions	10,691	13,542
5.2 Loans and advances to customers	-	-
5.3 Debt instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
6. Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
8. Hedging derivatives	-	-
9. Non-current assets held for sale	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 2 of 2

ASSETS	2013	2012 (*)
10. Investments (Note 6)	648,817	648,817
10.1 Associates	-	-
10.2 Jointly controlled entities	-	-
10.3 Subsidiares	648,817	648,817
11. Insurance contracts linked to pensions	-	-
13. Tangible assets	-	-
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets	-	-
15. Tax assets	3,209	1,372
15.1 Current (Note 11)	3,209	1,372
15.2 Deferred	-	-
16. Other assets (Note 7)	-	24
TOTAL ASSETS	662,717	663,755
MEMORANDUM ITEMS		
1. Contingent liabilities	-	-
2. Contingent commitments	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
LIABILITIES		
1. Financial liabilities held for trading	-	-
2. Other financial liabilities at fair value through profit or loss	-	-
3. Financial liabilities at amortised cost	64	101
3.1 Deposits from central banks	-	-
3.2 Deposits from credit institutions	-	-
3.3 Customer deposits	-	-
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities (Note 8)	64	101
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives	-	-
6. Liabilities associated with non-current assets held for sale	-	-
7. Liabilities under insurance contracts	-	-
8. Provisions	-	-
9. Tax liabilities	-	-
10. Welfare fund (Note18)	215	215

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
LIABILITIES		
11. Other liabilities (Note 7)	380	126
12. Capital repayable an demand	-	-
TOTAL LIABILITIES	**659**	**442**
EQUITY		
1. Own funds	662,058	663,313
1.1 Endowment fund		-
1.1.1 Registered capital	-	-
1.1.2 Less: Uncalled capital	-	-
1.2 Share premium	-	-
1.3 Reserves (Note 10)	653,307	653,175
1.4 Other equity instruments	-	799
1.4.1 Equity component of compound financial instruments	-	-
1.4.2 Non-voting equity units and associated funds (Note 9)	-	799
1.4.3 Other equity instruments	-	-
1.5 *Less: Treasury shares*	-	-
1.6 Profit for the year	8,751	9,339
1.7 *Less: Dividends and remuneration*	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
EQUITY		
2. Valuation adjustments	-	-
TOTAL EQUITY	**662,058**	**663,313**
TOTAL LIABILITIES AND EQUITY	662,717	663,755

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
1. Interest and similar income (Note 19)	19	3,008
2. Interest expense and similar charges	-	-
3. Remuneration of capital having the nature of a financial liability	-	-
A. NET INTEREST INCOME	19	3,008
4. Income from equity instruments (Note 20)	9,892	4,000
5 Fee and commission income	-	-
7. Fee and commission expense	-	-
8. Gains/losses on financial assets and liabilities (net)	-	-
9. Exchange differences (net)	-	-
10. Other operating income (Note 21)	8,007	13,429
11. Other operating expenses	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
B. GROSS INCOME	17,918	20,437
12. Administrative expenses	(11,198)	(12,024)
12.1 Staff costs (Note 22)	(564)	(578)
12.2 Other general administrative expenses (Note 23)	(10,634)	(11,446)
13. Depreciation and amortisation	-	-
14. Provisions (net)	-	-
15. Impairment losses on financial assets (net)	-	-
C. PROFIT FROM OPERATIONS	6,720	8,413
16. Impairment losses on other assets (net)	-	-
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	-
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 3 of 3

	Income / (Expense)	
	2013	2012 (*)
D. PROFIT BEFORE TAX	6,720	8,413
20. Income tax (Note 11)	2,031	926
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	8,751	9,339
22. Profit/Loss from discontinued operations (net)	-	-
F. PROFIT FOR THE YEAR	8,751	9,339

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
A) PROFIT FOR THE YEAR	8,751	9,339
B) OTHER RECOGNISED INCOME AND EXPENSE		4,823
B.1) Items that will not be reclassified to profit or loss	-	-
1. Actuarial gains and losses on defined benefit pension plans	-	-
2. Non-current assets held for sale	-	-
4. Income tax relating to items that will not be reclassified to profit or loss	-	-
B.2) Items that may be reclassified to profit or loss	-	4,823
1. Available-for-sale financial assets	-	-
1.1. Revaluation gains (losses)	-	-
1.2. Amounts transferred to income statement	-	-
1.3. Other reclassifications	-	6,890
2. Cash flow hedges	-	-
2.1. Revaluation gains (losses)	-	-
2.2. Amounts transferred to income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the statement of recognised income and expense for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
3. Hedges of net investments in foreign operations	-	-
3.1. Revaluation gains (losses)	-	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-	-
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Revaluation gains (losses)	-	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	-
6. Actuarial gains (losses) on pension plans	-	-
8. Other recognised income and expense	-	-
9. Income tax	-	(2,067)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	8,751	14,162

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the statement of recognised income and expense for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	OWN FUNDS									
	Endowment Fund	Share Premium	Reserves (Note 9 and 10)	Other Equity Instruments (Note 9)	Less: Treasury Shares	Profit for the Year (Note 3)	Less: Dividends and Remuneration	Total Own Funds	VALUATION ADJUSTMENTS (Note 17)	TOTAL EQUIT
1. Ending balance at 01/01/13	-	-	653,175	799	-	9,339	-	663,313	-	663,313
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	653,175	799	-	9,339	-	663,313	-	663,313
3. Total recognised income and expense	-	-	-	-	-	8,751	-	8,751	-	8,751
4. Other changes in equity	-	-	132	(799)	-	(9,339)	-	(10,006)	-	(10,006)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	-	-	-	-
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	1,339	-	-	(1,339)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds (only Cajas de Ahorro and Credit Cooperative)	-	-	-	-	-	(8,000)	-	(8,000)	-	(8,000)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity (Note 9)	-	-	(1,207)	(799)	-	-	-	(2,006)	-	(2,006)
5. Ending balance at 31/12/13	-	-	653,307	-	-	8,751	-	662,058	-	662,058

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the statement of changes in total equity for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	OWN FUNDS (*)									
	Endowment Fund	Share Premium	Reserves	Other Equity Instruments	Less: Treasury Shares	Profit for the Year	Less: Dividends and Remuneration	TOTAL FONDOS PROPIOS	VALUATION ADJUSTMENTS (*)	TOTAL EQUITY (*)
1. Ending balance at 01/01/12	-	-	669,481	30,051	-	38,756	-	738,288	(4,823)	733,465
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	669,481	30,051	-	38,756	-	738,288	(4,823)	733,465
3. Total recognised income and expense	-	-	-	-	-	9,339	-	9,339	4,823	14,162
4. Other changes in equity	-	-	(16,306)	(29,252)	-	(38,756)	-	(84,314)	-	(84,314)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	(29,252)	-	-	-	(29,252)	-	(29,252)
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	(1,667)	-	(1,667)	-	(1,667)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	33,374	-	-	(33,374)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds (only Cajas de Ahorro and Credit Cooperative).	-	-	-	-	-	(3,715)	-	(3,715)	-	(3,715)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	(49,680)	-	-	-	-	(49,680)	-	(49,680)
5. Ending balance at 31/12/12	-	-	653,175	799	-	9,339	-	663,313	-	663,313

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the statement of changes in total equity for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Charges / (Payments)	
	2013	2012 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (Note 2.12)	(845)	4,426
1. Profit for the year	8,751	9,339
2. Adjustments made to obtain the cash flows from operating activities	(2,031)	(926)
2.1. Depreciation and amortisation	-	-
2.3. Other adjustments	(2,031)	(926)
3. Net (increase)/decrease in operating assets	(1,098)	(80)
3.1. Financial assets held for trading	-	-
3.2. Other financial assets at fair value through profit or loss	-	-
3.3. Available-for-sale financial assets	-	-
3.4. Loans and receivables	-	-
3.5. Other operating assets	(1,098)	(80)
4. Net (increase)/decrease in operating liabilities	(7,783)	(3,517)
4.1. Financial liabilities held for trading	-	-
4.2. Other financial liabilities at fair value through profit or loss	-	-
4.3. Financial liabilities at amortised cost	(37)	101
4.4. Other operating liabilities	(7,746)	(3,618)
5. Collections/(Payments) of income tax	1,316	(390)

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Charges / (Payments)	
	2013	2012 (*)
B) CASH FLOWS FROM INVESTING ACTIVITIES (Note 2.12)	-	-
6. Payments	-	-
6.1. Tangible assets	-	-
6.2. Intangible assets	-	-
6.3. Investments	-	-
6.4. Other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Collections	-	-
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Investments	-	-
7.4. Other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Charges / (Payments)	
	2013	2012 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES (Note 2.12)	(2,006)	(80,599)
8. Payments	(2,006)	(80,599)
8.1. Dividends	-	(1,667)
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	(2,006)	(78,932)
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments related to financing activities	-	-
9. Collections	-	-
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to financing activities	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Charges / (Payments)	
	2013	2012 (*)
D) EFFECT OF CHANGES IN EXCHANGE RATES	-	-
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(2,851)	(76,173)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,542	89,715
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	10,691	13,542
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	-	-
1.2. Cash equivalents at central banks	-	-
1.3. Other financial assets	10,691	13,542
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 5)	10,691	13,542

(*) Presented for comparison purposes only. The accompanying Notes 1 to 26 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. Introduction, basis of presentation of the financial statements and other information

1.1. Introduction

Confederación Española de Cajas de Ahorros ("the Confederación") is an entity subject to the rules and regulations applicable to credit institutions operating in Spain. The Confederación operates mainly in Spain. Its registered office is at calle Alcalá, 27, Madrid. Public information on the Confederación can be consulted both on the Confederación's official website (www.ceca.es) and at its registered office.

The Confederación is the National Association of all member, or potential member, popular savings banks, whether or not they are grouped together in Federations, and provides them with financial services. Membership of the Confederación, with the same rights and obligations, is also open to entities which, in accordance with current legislation, carry on the financial activity of one or several savings banks.

In 2012, following approval by the competent authorities, the Confederación carried out a spin-off of all its assets and liabilities, except certain assets and liabilities relating to its welfare projects, to Cecabank, S.A., a financial institution incorporated in that year, which was subrogated to all the rights and obligations held by the Confederación until that date. As a result of this spin-off, since 2012 the Confederación has been carrying on its activity through Cecabank, S.A., an entity in which the Confederación holds an 89% ownership interest.

Without prejudice to the preceding paragraphs, it should be noted that on 28 December 2013, Law 26/2013, of 27 December, on savings banks and banking foundations ("Law 26/2013") was published in the Official State Gazette. Additional Provision Eleven of this law establishes that:

- The Confederación may consist of any savings banks, banking foundations and credit institutions that join, and it may maintain the functions and purposes that it possesses pursuant to the legislation prior to the entry into force of Law 26/2013, and any other functions and purposes specified in its bylaws.
- The Confederación shall lose its status as a credit institution on the entry into force of the bylaws to which the following paragraph refers, without prejudice to the fact that it may provide its services through a bank in which it has an ownership interest, in the terms established in its bylaws.
- Within six months from the entry into force of Law 26/2013, the Confederación shall submit for authorisation by the Ministry of Economy and Competitiveness a proposal for adapting its bylaws to its new legal regime.

At the date of authorisation for issue of these financial statements, the Confederación's bylaws were in the process of being adapted to the provisions of Law 26/2013.

In addition to the transactions that it carries out through its investment in Cecabank, S.A., as indicated above, the Confederación is the parent of a group of subsidiaries ("the Group" or "the CECA Group"). Therefore, the Confederación is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements, which also include any interests in joint ventures (jointly controlled entities) and investments in associates.

The Confederación's financial statements for 2012 were approved by the General Assembly on 13 March 2013. The Confederación's 2013 financial statements have not yet been approved by the General Assembly. However, the Confederación's Board of Directors considers that the aforementioned financial statements will be approved without any material changes.

1.2. Basis of presentation of the financial statements

The Confederación financial statements for 2013 were authorized for issue by the Confederación›s directors at the Board of Directors meeting held on 22 January 2014.

The Confederación financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2013 ("IFRSs"), taking into account Bank of Spain Circular 4/2004, of 22 December, on public and confidential financial reporting rules and financial statement formats for credit institutions and as amended thereafter. This Bank of Spain Circular 4/2004 implements and adapts for the Spanish credit institution industry the International Financial Reporting Standards approved by the European Union.

The Confederación financial statements for 2013 were prepared taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the financial statements and, accordingly, they present fairly the Confederación equity and financial position at 31 December 2013, and the Confederación results of its operations, the Confederación statement of recognized income and expense and the cash flows in the year then ended, in accordance with the financial information's regulatory framework to be applied in this case, particularly with the accounting policies and measurement bases contained in the document mentioned in the previous paragraph.

As explained above, the Confederación is the parent of a group of companies of various kinds, the detail of which at 31 December 2013 is included in Appendices I and II. At the date of authorisation for issue of the Confederación's financial statements, the consolidated financial statements of the CECA Group had not yet been authorised for issue. However they will be authorised for issue within the deadlines required by applicable legislation.

The principal accounting policies and measurement bases applied in preparing the Confederación financial statements for 2013 are summarized in Note 2.

1.3. Information relating to 2012

For comparison purposes the Confederación's directors present, in addition to the 2013 figures for each item in the balance sheet, income statement, statement of cash flows, statement of changes in equity and notes to the financial statements, the figures for 2012, which were obtained by applying Bank of Spain Circular 4/2004 and subsequent amendments thereto. Consequently, the figures for 2012 included in these notes to the financial statements for 2013 are presented for comparison purposes only and they do not constitute the Confederación's statutory financial statements for 2012.

1.4. Responsibility for the information and use of estimates

The information in these financial statements is the responsibility of the Confederación's Directors.

In the preparation of the Confederación's financial statements for 2013 estimates were made by the Confederación's Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Note 2.3).
- The fair value of certain unquoted assets (see Note 2.2.3).

Although these estimates were made on the basis of the best information available at 31 December 2013 and at the date on which these financial statements were authorized for issue on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Any required changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognizing the effects of the change in estimates in the income statements for the years in question.

1.5. Agency agreements

Neither at 2013 nor 2012 year-end nor at any other time during those years did the Confederación have any agency agreements in force, as defined in Article 22 of Royal Decree- Law 1245/1995, of 14 July.

1.6. Investments in the share capital of credit institutions

Note 6 details certain information concerning the unique participation by the Confederación at 31 December 2013 and 2012 in the share capital of other Spanish and foreign credit institutions, representing 5% or more of their share capital or voting power

1.7. Environmental impact

In view of the business activities carried on by the Confederación, it does not have a significant impact on the environment. Therefore, the Confederación financial statements for 2013 do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

Bank of Spain Circular 3/2008 ("Circular 3/2008" or "Solvency Circular"), of 22th of May, on the calculation and control of minimum capital requirements, and as amended thereafter, regulates the minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes the entities should have in place and the information they should disclose to the market in this connection. Bank of Spain Circular 3/2008 adapts Spanish legislation on capital requirements to the Community Directives, which in turn stem from the Basel Capital Accord (Basel II), structured around three core pillars: minimum capital requirements (Pillar I), the internal capital adequacy assessment process (Pillar II) and market disclosures (Pillar III).

Bank of Spain Circular 3/2008 establishes the elements that are eligible for inclusion in capital for the purpose of compliance with the minimum capital requirements set forth therein. Under this Circular, capital must be classified into Tier 1 and Tier 2 capital. The capital calculated for the purposes of capital adequacy regulations differs from the capital calculated in accordance with Bank of Spain Circular 4/2004, since the Circular considers certain items as capital and establishes the mandatory deduction of certain items from capital which are not considered in Circular 4/2004 to be included in capital. In accordance with Bank of Spain Circular 3/2008, the Confederación's capital is managed and calculated at the level of its consolidable group of credit institutions.

In addition to the requirements of Circular 3/2008, the CECA Group is subject to compliance with the principal capital ratio regulated by Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, which establishes a single principal capital requirement of 9%. Final Provision Twenty of Law 9/2012 empowers the Bank of Spain to lay down the specific provisions for the due execution of the regime governing minimum principal capital requirements. In this regard, Bank of Spain Circular 7/2012, of 30 November, to credit institutions, on minimum principal capital requirements ("Circular 7/2012") was issued in 2012. Its purpose is the implementation of the aforementioned regime, pursuant to the powers granted to the Bank of Spain. Circular 7/2012 lists the eligible instruments to be included in the definition of principal capital, the manner in which they must be computed and the requirements for their issue. Circular 7/2012 also determines, inter alia, how risk-weighted exposures can be adjusted to ensure that the capital requirement for each risk exposure does not exceed the value of the exposure itself and that there is consistency between the value of the exposures and the components of principal capital.

The strategic capital management objectives set by the Confederación management are as follows:

- To comply, at all times, both at individual and at consolidated level, with the applicable regulations on minimum capital requirements.
- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered as a key variable in any analysis related to the Confederación's investment decisions.

In order to meet these objectives, the Confederación has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Confederación's strategic and operational planning, the impact of decisions on the Confederación's eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.

- As part of its organizational structure the Confederación has monitoring and control units which at all times analyze the level of compliance with the Bank of Spain regulations on capital, with alerts in place to guarantee compliance with the applicable regulations. Therefore, in the spin-off process of the assets and liabilities and the carry on of its activity, performed in 2012 (see Note 1.1), all the proceeding of risk evaluation, measurement and control that develop the general risk management policies defined by the Confederación Board, have been defined by Cecabank S.A and must be applied by all the Group.

The Confederación's management of its capital, as regards conceptual definitions, is in keeping with Circular 3/2008. In this connection, the Confederación considers eligible capital to be that specified in Rule Eight of Circulares 3/2008 and 7/2012 of Banco de España. In this regard, for capital adequacy purposes, the Confederación considers eligible capital to be that specified in the aforementioned Circulars.

The minimum capital requirements established by the Bank os Spain regulations are calculated by reference to the Confederación s exposure to credit and dilution risk (on the basis of assets, obligations and other memorandum items that present these risks, depending on their amounts, characteristics, counterparties, guarantees, etc.), to counterparty risk and position and settlement risk in the trading book, to foreign exchange and gold position risk (on the basis of the overall net foreign currency position and of the net gold position) and to operational risk. Additionally, the Confederación is subject to compliance with the risk concentration limits and the requirements concerning internal corporate governance, capital adequacy assessment, interest rate risk measurement and disclosure of information to the market, also established in Circular 3/2008. With a view to guaranteeing compliance with the aforementioned objectives, the Confederación performs an integrated management of these risks, in accordance with the policies and processes indicated above.

The main figures at 31 December 2013 and 2012 relating to eligible capital and capital requirements applicable to the Group in accordance with Circular 3/2008 and Circular 7/2012, which regulates compliance with the principal capital ratio, are set forth below:

	THOUSANDS OF EUROS			
	2013		2012	
	Requirements established in Bank of Spain Circular 3/2008	Requirements established in Bank of Spain Circular 7/2012	Requirements established in Bank of Spain Circular 3/2008	Requirements established in Bank of Spain Circular 7/2012
Tier 1 capital	751,790	Not applicable	703,961	Not applicable
Tier 2 capital	6,715	Not applicable	8,653	Not applicable
Eligible capital	758,505	751,790	712,614	703,961
Minimum capital requirements	239,629	269,583	304,700	342,787
Capital surplus	518,876	482,207	407,914	361,174

Tier 1 capital in the above table basically includes the sum of the Group's reserves from retained earnings, participation certificates, non-controlling interests and the portion of consolidated profit which the Group companies proposed be allocated to unrestricted reserves, less the balance of the intangible assets owned by the Group.

Tier 2 capital in the above table basically comprises the revaluation reserves relating to tangible assets set up in prior years pursuant to applicable legislation and the percentages established in Circular 3/2008 applied to the carrying amounts of the unrealized gains on available-for-sale financial assets recognized under "Valuation Adjustments" in Group equity and the part of the allowance that is computed as such according to the current legislation.

The eligible capital estimated in accordance with the provisions of Bank of Spain Circular 7/2012 coincides with the items and deductions deemed to be core capital by the Confederación, except for certain deductions that are not taken into consideration for principal capital calculation purposes, in accordance with applicable legislation.

At 31 December 2013 and 2012 and throughout these years, the Group's eligible capital exceeded the minimum capital requirements under the applicable legislation.

Furthermore, it should be noted that, with effect from 1 January 2014, certain amendments were made to capital adequacy regulations that are applicable to European financial institutions, such as the Confederación. In this regard, Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation in relation to the supervision and capital adequacy of financial institutions, was published in the Official State Gazette on 30 November 2013. This Royal Decree-Law establishes, inter alia, the most urgent measures to adapt the Spanish legal system to the new developments arising from Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and addresses other urgent reforms. For this purpose, the provisions of the aforementioned EU legislation were included in the aforementioned Royal Decree-Law. Considering the provisions of the aforementioned legislation, which will foreseeably be completed by the publication by the Bank of Spain of the related Circular to regulate the application of certain options contained in Regulation (EU) No 575/2013, which is directly applicable in Spain as from 1 January 2014, as indicated above (this Circular is currently at a draft stage, subject to public consultation), and the information currently available to it, the new regulatory amendments relating to capital adequacy are not expected to have a material impact on the Confederación and its Group in relation to its compliance in 2014.

1.9. Minimum reserve ratio

At 31 December 2013 and 2012, as a result of the spin-off process performed in 2012 (see Note 1.1), the Confederación did not hold any balances in eligible liabilities for these purposes and, as a consequence, it did not hold any balances at the Bank of Spain at that dates.

1.10. Deposit guarantee fund

2012 saw the publication of Royal Decree-Law 2/2012, of 3 February, on the clean-up of the financial sector, whereby (by virtue of the provisions contained in Royal Decree-Law 19/2011, of 2 December, which amended Royal Decree-Law 16/2011, of 14 October, creating the Deposit Guarantee Fund for Credit Institutions, on the performance of the measures required to restore the balance of the aforementioned Fund to a sufficient level) on 30 July 2012 the Managing Committee of the Deposit Guarantee Fund for Credit Institutions resolved that a supplementary payment was to be made by the entities participating in the Fund, which would be estimated on the basis of their contributions at 31 December 2011 and payable in equal annual installments over the following ten years.

Also, Law 9/2012, of 14 November 2012, on restructuring and resolution of credit institutions was published in 2012. This law requires the Deposit Guarantee Fund, subject to a prior ruling from the Bank of Spain, to reimburse the amounts of guaranteed deposits in the event of failure to repay the deposits when past due and payable, unless the initiation of a process for the resolution of the entity has been agreed upon. In this regard, the Fund may adopt measures to support the resolution of a credit institution, such as granting guarantees, loans or credits, acquiring assets or assuming liabilities, and may manage the institution itself or engage a third party to do so.

Royal Decree-Law 6/2013, of 22 March, on the protection of the holders of certain savings and investment products and other financial measures, was published in 2013, whereby, in order to strengthen the assets of the Deposit Guarantee Fund for Credit Institutions, the annual contribution to be made by the member entities on deposits at 31 December 2012, provided for in Article 3 of Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions, would undergo an exceptional, one-time increase of 3 per mil.

As indicated in Note 1.1, the Confederation contributed all its financial business to another entity and, as a result, it did not contribute any amounts to the Deposit Guarantee Fund in 2013 and 2012

1.11. Changes in accounting policies

In 2013 there were no significant in the accounting policies applied by the Confederación financial statements in 2012.

1.12. Main regulatory changes during the period from 1 January to 31 December 2013

Bank of Spain Circular 1/2013, of 24 May, amending Bank of Spain Circular 4/2004, of 22 December, to credit institutions on public and confidential financial reporting rules and formats.

In addition to the amendments relating to the report to the Risk Information Centre, Bank of Spain Circular 1/2013 introduces certain amendments to the statements of Bank of Spain Circular 4/2004, in order for the financial institutions to provide the information required for preparing the balance of payments statistics, to include a new confidential statement with data on the cost of the funding raised in the month relating to businesses in Spain and another with information on the delivery of homes foreclosed or received in payment of debt in relation to home purchase loans, and to standardise the content of the minimum segmentation structure in the database of the special accounting register for mortgage loans. The entry into force of this Circular did not have a material impact on the Confederación.

Bank of Spain Circular 5/2013, of 30 October, amending Circular 4/2004, of 22 December, on public and confidential financial reporting rules and formats, and Circular 1/2013, of 24 May, on the Risk Information Centre.

Bank of Spain Circular 5/2013 was published on 9 November 2013. Its main objective is to adapt the Spanish accounting framework to the latest amendments to the International Financial Reporting Standards.

The main new developments introduced by Circular 5/2013 are as follows:

a) In the area of consolidation, the most significant amendments relate to the changes in the definition of control and in the elements that should be taken into consideration to determine whether an entity should be deemed to be a group subsidiary. In public consolidated financial statements, the possibility of applying the proportionate consolidation method to jointly controlled entities was eliminated and, therefore, they must be accounted for using the equity method in all cases

b) Certain circumstances are recognised in which the fair value of certain quoted instruments is not their market price, because their market price does not represent their fair value in certain cases such as, for example, significant events occurring after market close or legal restrictions placed on the sale of an asset. In addition, the Circular establishes the criterion for recognising the differences between fair value and transaction price on initial recognition of the financial instruments whereby, for financial instruments included in levels 1 and 2 (for the purposes of the fair value hierarchy), these differences are recognised in the income statement, while for financial instruments included in level 3, they are recognised as an adjustment to initial fair value and they are allocated throughout the life of these instruments.

c) The fundamental changes with regard to defined benefit pension obligations are as follows:

- The Circular eliminates the possibility of using a "corridor" in the recognition of actuarial gains and losses for defined benefit pension obligations; as from the entry into force of the amendment, all actuarial gains and losses will be recognised immediately in the statement of recognised income and expense with a charge or credit to the entities' consolidated equity.

- There are also significant changes in the presentation of the components of the cost associated with pension obligations in the financial statements. Three different items must be presented: service cost, net interest and the remeasurement component.

In addition, the amendment includes an extension and changes to the reporting requirements in the notes to the financial statements with regard to defined benefit obligations.

d) New requirements are included with regard to disclosures to be made on the transfer of financial assets and offsetting.

e) It includes certain amendments to Circular 1/2013, of 24 May, on the Risk Information Centre, whereby certain information is required from the entities on the financing activity of small businesses and micro-businesses and on the collateral received by the entities for the purpose of the related weighting when estimating the regulatory capital requirement. Furthermore, the deadline is extended for submitting initial data to the new Risk Information Centre.

In view of the changes indicated above and the Confereración's activity, the application of this Circular It has not had material impact on these financial statements.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Confederación's financial statements for 2013 were as follows:

2.1. Investments

2.1.1. Subsidiaries

"Subsidiaries" are defined as entities over which the Confederación has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Confederación owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederación control.

The investments in Group companies were recognized in these financial statements under "Investments - Subsidiaries" in the balance sheet and were measured at acquisition cost, net of any impairment losses on these investments, which are estimated and recognized, if any, as described in Note 2.3.2.

Dividends accrued in the year on these investments are recognized under "Income from Equity Instruments" in the income statement.

In application of the criteria indicated above, the Confederación considers Cecabank, S.A., in which it holds an ownership interest of 89% of its share capital at 31 December 2013, as a subsidiary of the Group of which it is the head.

Appendix I to these notes to the financial statements contains significant information on the entity.

2.1.2. Jointly controlled entities

"Jointly controlled entities" are deemed to be ventures that are not subsidiaries but which are jointly controlled by the Confederación and by one or more other entities, either individually or in conjunction with the other entities of the group to which they belong.

At 31 December 2013 and 2012 in accordance with the aforementioned rules, the Confederacion not owned considered to be a jointly controlled entity as part of the spin-off process performed in 2012 this ownership interest were spun off to Cecabank, S.A. (see Note 1.1).

2.1.3. Associates

"Associates" are defined as companies over which the Confederación is in a position to exercise significant influence, but not control or joint control. Significant influence generally exists when the Confederación holds - directly or indirectly - 20% or more of the voting power of the investee.

At 31 December 2013 and 2012, in accordance with the aforementioned criteria, the Confederación did not hold any ownership interests in companies considered to be associates. As part of the spin-off process performed in 2012, these investments was spun off to Cecabank, S.A. (see Note 1.1).

2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortized cost and classification categories and measurement of financial assets and liabilities

2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognized in the balance sheet when the Confederación becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognized from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognized from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognized on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognized on the settlement date; equity instruments traded in Spanish secondary securities markets are recognized on the trade date and debt instruments traded in these markets are recognized on the settlement date.

2.2.2. Derecognition of financial instruments

A financial asset is derecognized when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.4).

Also, a financial liability is derecognized when the obligations it generates have been extinguished or when it is purchased by the Confederación, with the intention either to re-sell it or to cancel it.

2.2.3. Fair value and amortized cost of financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organized, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading which are traded in organized, transparent and deep markets is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organized markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognized by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortized cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortization (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instruments. In the case of financial assets, amortized cost furthermore includes any reductions for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts and transaction costs that, pursuant to the applicable standards, must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

The only financial instruments held by the Confederación are classified as loans and receivables which, in accordance with legislation,includes unquoted debt instruments, financing granted to third parties in connection with ordinary lending activities carried out by the Confederación (other than those classified at fair value through profit or loss) and receivables from users of services.

The financial assets included in this category are initially measured at fair value adjusted by the amount of the fees and commissions and transaction costs that are directly attributable to the acquisition or arrangement of the financial asset and which, in accordance with Circular 4/2004, must be allocated to the income statement by the effective interest method through maturity. Subsequent to acquisition, assets included in this category are measured at amortized cost.

Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the amount paid is recognized as finance income using the effective interest method during the remaining term to maturity.

The Confederación generally intends to hold the loans and credits included in this category granted by it until their final maturity and, therefore, they are presented in the balance sheet at their amortized cost.

The interest accrued on these assets, which is calculated using the effective interest method, is recognized under "Interest and Similar Income" in the income statement. Exchange differences on assets included in this portfolio denominated in currencies other than the euro are recognized as set forth in Note 2.5. Any impairment losses on these assets are recognized as explained in Note 2.3.

The financial liabilities included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the issue or arrangement of the financial liability, which are recognized in the income statement by the effective interest method (as defined by Bank of Spain Circular 4/2004) through maturity.

Subsequently, these financial liabilities are measured at amortized cost calculated using the effective interest method as defined in Bank of Spain Circular 4/2004.

The interest accrued on these liabilities, which is calculated using the effective interest method, is recognized under "Interest Expense and Similar Charges" in the income statement. Exchange differences on securities included in this category denominated in currencies other than the euro are recognized as set forth in Note 2.5.

2.3. Impairment of financial assets

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

As a general rule, the carrying amount of impaired financial instruments is adjusted with a charge to the income statement for the year in which the impairment becomes evident, and the reversal, if any, of previously recognized impairment losses is recognised in the income statement for the year in which the impairment is reversed or reduced, with the exception of any recovery of previously recognised impairment losses relating to equity instruments classified as available for sale, which are not recognised in the income statement but rather in the balance sheet, under "Valuation Adjustments - Available-for-Sale Financial Assets".

When the recovery of any recognized amount is considered unlikely, the amount is written off ("written-off asset"), without prejudice to any actions that the Confederación may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Confederación to determine possible impairment losses in each of the various financial instrument categories and the method used to recognize such impairment losses are as follows:

2.3.1. Debt instruments carried at amortized cost

The amount of an impairment loss incurred on a debt instrument carried at amortized cost is equal to the positive difference between its carrying amount and the present value of its estimated future cash flows. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument, including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral).
- The various types of risk to which each instrument is subject; and
- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable).

Specifically as regards impairment losses resulting from materialization of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or;
- When country risk materializes: country risk is defined as the risk that is associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Impairment losses on these assets resulting from materialization of the insolvency risk of the obligors (credit risk) are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar risk characteristics: instrument type, debtor's sector and geographical location, type of guarantee or collateral, age of past-due amounts receivable, etc.
- Collectively: the Confederación classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status and type of collateral or guarantee, age of past-due amounts, etc. For each risk group it establishes the impairment losses ("identified losses"), which must be recognized in the financial statements, applying the parameters established by the Bank of Spain.

- In addition, the Confederación recognizes an overall impairment loss on risks in relation to which specific losses have not been identified. This loss is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it on the Spanish banking industry.

The amount of the impairment losses on debt instruments at amortized cost or, as the case may be, their subsequent reversal, estimated in accordance with the criteria described above, are recognized under "Impairment Losses on Financial Assets (net) - Loans and Receivables" and "Impairment Losses on Financial Assets (net) - Other Financial Assets Not Measured at Fair Value Through Profit or Loss", depending on the category of financial instrument in which the debt instruments are classified (see Note 2.2).

Pursuant to Circular 4/2004, the Confederación suspends interest accrual for debt instruments individually classified as impaired, and for those for which impairment losses have been assessed collectively (transactions with identified losses) because they have payments more than three months past due.

2.3.2. Investments in Group companies, jointly controlled entities and associates

The impairment losses on investments in Group companies, jointly controlled entities and associates which, for the purpose of preparation of these financial statements are not deemed to be financial instruments, are estimated and recognised as follows: when, pursuant to Circular 4/2004, there is evidence of impairment of these investments, the amount of the impairment loss is estimated as the negative difference between their recoverable amount (calculated as the higher of fair value of the investment less costs to sell and value in use; value in use is defined as the present value of the cash flows expected to be received from the investment in the form of dividends and the cash flows relating to its sale or other disposal) and their carrying amount. Impairment losses on these investments and possible reversals of impairment losses are charged and credited, respectively, to "Impairment Losses on Other Assets (Net) - Other Assets" in the income statement.

2.4. Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Confederación transfers substantially all the risks and rewards of the transferred assets to third parties -unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases-, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.

It is considered that the Confederación transfers substantially all the risks and rewards if the transferred risks and rewards represent most of the total risks and rewards of the transferred assets.

- If the Confederación retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitized assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized, without offsetting:

  - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost, or, if the requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability.

  - The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.

- If the Confederación neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

  - If the transferor does not retain control, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer is recognized.

  - If the transferor retains control, it continues to recognize the transferred financial asset in the balance sheet for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

2.5. Foreign currency transactions

2.5.1. Functional currency

The functional and reporting currency of the Confederación is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in “foreign currency”.

Following the spin-off process performed in 2012, there were no balances recognised in foreign currency at 31 December 2013 and 2012.

2.6. Recognition of income and expenses

The most significant accounting criteria used by the Confederación to recognize its income and expenses are summarized as follows:

2.6.1. Interest income, interest expenses, dividends and similar items

Interest income, interest expenses, dividends and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies, are recognized as income when the Confederación’s right to receive them arises.

2.6.2. Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognized in the income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognized in the income statement when collected or paid.
- Those arising from transactions or services that are performed over a period of time are recognized in the income statement over the life of these transactions or services.
- Those relating to services provided in a single act are recognized in the income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

2.6.4. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.7. Offsetting

Asset and liability balances are offset, i.e. reported in the balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Confederación intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

2.8. Staff costs

2.8.1. Pension and other long-term benefit obligations

As part of the spin-off process performed in 2012 (see Note 1.1), Cecabank, S.A. succeeded to the Confederación and, with effect from 1 January 2012, was subrogated to all the commitments that the Confederación held with current and former employees who, as a result of the spin-off, began to render their services at Cecabank, S.A. In this regard, the Confederación does not have any pension or other long-term benefit obligations.

However, as detailed in Notes 4.2 and 22, certain senior executives render their services to the Confederación on a part-time basis.

2.8.2. Termination benefits

Under current legislation, the Confederación is required to pay termination benefits to employees terminated without just cause.

No items were recognised in this connection in 2013 or 2012.

Also, there are agreements with certain executives to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Confederación, is charged to the income statement when the decision to terminate the employment relationship with the individual concerned is taken.

2.9. Income tax

The income tax expense is recognized in the income statement, except when it results from a transaction recognized directly in the Confederación's equity, in which case the income tax is also recognized in the Confederación's equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognized as a result of temporary differences and tax credit and tax loss carry forwards (see Note 11).

The Confederación considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base, expected to reverse in the future. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. A taxable temporary difference is one that will generate a future obligation for the Confederación to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Confederación to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Confederación considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognized.

The Confederación only recognizes deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carry forwards when the following conditions are met:

- If it is considered probable that the Confederación will obtain sufficient future taxable profit against which the deferred tax assets can be utilized; and
- In the case of deferred tax assets arising from tax loss carry forwards, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognized if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

The Confederación files consolidated tax returns, pursuant to Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Corporation Tax Law. For each entity that files consolidated tax returns, the Group recognises the income tax expense that the entity would have had to pay if it had filed an individual tax return, adjusted for the tax losses generated by each company from which other Group companies benefit, taking into consideration the consolidated tax adjustments to be made.

2.10. Provisions and contingent liabilities

When preparing the financial statements, the directors made a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the entities, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing; and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Confederación.

The Confederación's financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the financial statements, but rather are disclosed, as required by the applicable standards.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognized with a charge or credit, respectively, to "Provisions (net)" in the income statement.

2.10.1. Litigation and/ or claims in process

At 2013 and 2012 year-end, there were no court proceedings or claims in process against the Confederación.

2.11. Welfare Fund

The Confederación's Welfare Fund is recognized under "Welfare Fund" on the liability side of the balance sheet (see Note 18).

Transfers to the welfare fund are recorded as an appropriation of the Confederación's profit. Welfare project expenses are presented in the balance sheet as deductions from the welfare fund and in no case may they be recognized in the income statement. Tangible assets and liabilities assigned to welfare projects, if any, are included in separate asset and liability items in the balance sheet.

2.12. Cash flow statements

The following terms are used in the cash flow statements with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing

received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.

- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as available for sale which are strategic investments and debt instruments included in held-to-maturity investments.
- Financing activities: includes the cash flows from activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash and Balances with Central Banks" on the asset side of the balance sheet and the balances receivable on demand from credit institutions recognised under "Loans and Receivables - Loans and Advances to Credit Institutions" on the asset side of the balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.13. Statements of changes in Equity

The statement of changes in equity presented in these financial statements shows the total changes therein in equity during the year. This information is disclosed to turn in two statements: the statement of comprehensive income and the statement of changes in equity. The following explains the main features of the information contained in both parts of the statement:

2.13.1 Statement of recognized income and expense

Making a distinction among the latter, in turn, between items that may be reclassified to the income statement, pursuant to applicable legislation, and those that may not. The statement of recognized income and expense presents the income and expenses generated by the Confederación as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in equity.

Accordingly, this statement presents:

a) Profit for the year.

b) The net amount of the income and expenses recognized temporarily in equity under "Valuation Adjustments".

c) The net amount of the income and expenses recognized definitively in equity during the year in equity, under "Valuation Adjustments" if any.

d) The income tax incurred in respect of the items indicated in b) and c) above.

e) The total recognized income and expenses, calculated as the sum of a) and d) above.

The changes in income and expenses recognized in equity under "Valuation Adjustments" are broken down temporarily until reversed in the income statement as follows:

a) Revaluation gains/(losses): includes the amount of the income, net of the expenses incurred in the year, recognized directly in equity. The amounts recognized in the year under "Valuation Adjustments" are recorded in this line item, even though they are transferred in the same year to the income statement, to the initial value of other assets or liabilities, or are reclassified into another line item.

b) Amounts transferred to the income statement: includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the income statement.

c) Amount transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in equity, albeit in the same year, which are recognized in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented gross and the related tax effect is recognized in this statement under "Income Tax" related items that may be reclassified to income.

The aforementioned Bank of Spain Circular 5/2013 changed the structure of certain line items in this statement, without affecting the total of the amounts that must form part of total recognised income and expense in the year. The formats of this statement included in these financial statements for 2013 and in the related comparative information for 2012 are presented using the new format included in the aforementioned Circular 5/2013.

2.13.2. Statement of changes in total equity

The statement of changes in total equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a) Adjustments due to changes in accounting policies and adjustments made to correct errors: include significant changes in equity arising as a result of the retrospective restatement of the balances in the financial statements due to changes in accounting policies or to the correction of errors.

b) Recognized income and expense: includes the total recognized income and expenses reported in the statement of recognized income and expense.

c) Other changes in equity: includes the remaining items recognized in equity, including, inter alia, distribution of Confederación profit, transfers between equity items and any other increases or decreases in equity.

3. Distribution of the Confederación's profit

The distribution of the Confederación's net profit for 2013 that the Board of Directors will propose for approval by the General Assembly (the figures for 2012 are presented for comparison purposes only) is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Reserves	5,651	1,339
Transfer to welfare fund (Note 18)	3,100	8,000
Net profit for the year	8,751	9,339

4. Remuneration of directors and senior executives

4.1. Remuneration of directors

The members of the Board of Directors of the Confederación, receive an attendance fee for attendance of meetings and support committees. The detail for 2013 and 2012 is shown in the table below.

	THOUSANDS OF EUROS	
	2013	2012
Alzamora Carbonell, Fernando	-	4
Ambrosio Orizaola, Enrique Manuel	-	2
Arvelo Hernández, Álvaro	-	2
Bravo Cañadas, Victor Manuel	-	2
Carbonell Tatay, Antonio	13	-
Cifré Rodríguez, Josep	16	16
De Rato Figadero, Rodrigo	-	12
Del Canto Canto, Evaristo	15	20
Egea Krauel, Carlos	17	34
Fainé Casas, Isidro	31	35
Fernández-Velilla Hernández, Juan	-	2
Fernández Gayoso, Julio	-	2
Fernández Pelaz, Mario	19	19
Franco Lahoz, Amado	30	42
García Peña, Francisco Manuel	-	2
Iturbe Otaegui, Xabier	-	3
Medel Cámara, Braulio	30	30
Mestre González, Jordi	-	5
Olivas Martínez, José Luis	-	2
Pemán Gavín, Juan María	10	15
Pulido Gutiérrez, Antonio	-	20
Soriano Cairols, Rafael	3	17
Total	184	286

The fees for the items indicated above in 2013 relating to the representation on the Confederación's Board of Directors of Bankia, S.A., Banco Financiero y de Ahorros, S.A., Liberbank, S.A., Catalunya Banc, S.A. and NCG Banco, S.A., which are paid directly to these entities, amounted to EUR 15 thousand, EUR 3 thousand, EUR 3 thousand, EUR 11 thousand and EUR 7 thousand, respectively.

In 2013, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 201 thousand (2012: EUR 243 thousand). Note 24 details the Confederación's other balances with its directors and entities or individuals related to them.

4.2. Remuneration of senior executives and of members of the Board of Directors in their capacity as Confederación executives

As a result of the spin-off process performed in 2012 (see Note 1.1), the Confederación's employees began to render their services at Cecabank, S.A.

In this regard, for the purposes of the preparation of these financial statements, the senior executives of the Confederación in 2013 and 2012 were considered to be the CEO, the Deputy Manager of the Associative and Audit Services Area, the General Secretary - Manager of Legal Counsel, the Manager of Tax Advisory Services, and the Head of the Planning Area of Cecabank, S.A., who provide services to the Confederación on a part-time basis.

In 2013 and 2012 none of the members of the Board of Directors worked in an executive capacity and, as a result, no remuneration was earned in this connection. The senior executives´s short-term remuneration in the year amounted to EUR 533 thousand (2012: 549 thousand).

No additional remuneration was earned by senior executives in 2013 and 2012 in connection with other long-term benefits, or share-based payments as defined by Circular 4/2004.

In 2013 and 2012, no consolidated pension rights were recognised either for the senior executives or for the members of the Board of Directors .

In 2013 and 2012, no additional remuneration was earned in connection with the post-employment obligations of the Confederación's directors and senior executives.

5. Loans and receivables

5.1. Breakdown

Following is a detail of the financial assets included in "Loans and Receivables" in the balance sheets at 31 December 2013 and 2012:

	THOUSANDS OF EUROS	
	2013	2012
Loans and advances to credit institutions-		
Other accounts	10,673	13,542
	10,673	13,542
Valuation adjustments-		
Accrued interest	18	-
	18	-
	10,691	13,542

At 31 December 2013 and 2012 the balance of "Loans and Receivables"" includes a current account held with Cecabank, S.A. (see Note 24).

Note 13 discloses certain relevant information on the credit risk relating to the financial assets included in this financial instrument category at 31 December 2013 and 2012. Note 12 provides information on the fair value at 31 December 2013 and 2012 of the financial assets included in this category.

Note 14 includes information on the market risk associated with these financial assets at 31 December 2013 and 2012.

Note 15 contains information on the liquidity risk associated with the Confederación's financial instruments at 31 December 2013 and 2012.

Note 16 shows information on the exposure to interest rate risk. Note 17 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2013 and 2012.

6. Investments

The detail of the only investment held by the Confederación in Group companies and jointly controlled entities at 31 December 2013 and 2012 is as follows:

Entity	Location	Proportion of ownership interest (%)		Carrying value (Thousand of Euros)	
				2013	2012
Subsidiaries: Cecabank, S.A.	Madrid	89%	89%	648,817	648,817
				648,817	648,817

The changes in "Investments" in the Confederación's balance sheet in 2012 arose from the spin-off process performed in that year, whereby the Confederación spun off to Cecabank, S.A., inter alia, the investments held in the share capital of Caja Activa, S.A., CEA Trade Services Limited and Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A. The only investment it held on its balance sheet at 31 December 2012 was the 89% ownership interest in the share capital of Cecabank, S.A. (see Note 1.1). At 31 December 2013 the Confederación did not have any investments classified as "Associates".

In 2013 there were no changes in this heading in the balance sheet. At 31 December 2013 and 2012, the Confederación had not recognised any impairment losses on these investments.

7. Other assets and liabilities

The breakdown of the balance of "Other Asset" and "Other Liabilities" in the balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Other assets		
Prepayments and accrued income		
Commissions for guarantees received Prepayments	-	24
	-	24
Other liabilities		
Accrued expenses and deferred income		
Accrued expenses	380	126
	380	126

8. Financial liabilities at amortized cost - Other financial liabilities

The detail of the items composing the balance of "Financial Liabilities at Amortized Cost" in the balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Payment obligations	-	45
Tax collection accounts	64	56
	64	101

9. Non-voting equity units and associated funds

As part of the spin-off process executed in exercise 2012 (see Note 1.1), on 13 November 2012, the Confederación repurchased the non-voting equity units issued in 1988 which were recognized in equity in its balance sheet at 31 December 2011. It made an offer to the holders of these non-voting equity units, the acceptance of which would give rise to a simultaneous, irrevocable commitment to subscribe ordinary shares of Cecabank, S.A. for a cash amount equal to that of the repurchased non-voting equity units. As previously stated, in the Note 1.1 the Confederación had developed its activities indirectly through Cecabank S.A. The repurchase offer amounted to EUR 81,089 thousand, i.e. EUR 16,217.83 per non-voting equity unit. Since most of the holders of the non-voting equity units accepted this offer and, as a result, became shareholders of Cecabank, S.A., the amount recognized under "Own Funds - Other Equity Instruments - Non-Voting Equity Units and Associated Funds" in the Confederación's equity at 31 December 2012 following this repurchase, amounted to EUR 799 thousand, relating to the non-voting equity units that had not been redeemed.

In 2013 all the remaining non-voting equity units following the exchange mentioned in the preceding paragraph were repurchased by the Confederación and were subsequently retired. As a result, no balance was recognised under this line item in the balance sheet at 31 December 2013. The difference between the carrying amount of these non-voting equity units (EUR 799 thousand) and their repurchase price (EUR 2,006 thousand) amounted to EUR 1,207 thousand, which was recognised with a charge to the Confederación's reserves.

The repurchase price of the non-voting equity units acquired in 2013 by the Confederación for subsequent retirement was the same as that applied in the repurchases carried out in 2012, i.e. EUR 16,217.83 for each of the 133 non-voting equity units acquired. A 7% discount was applied to this amount for making the payment in cash. Following this repurchase transaction, in 2013, the former owner of these non-voting equity units acquired in 2013, Unnim Banc, S.A., ceased to be a member entity of the Confederación.

10. Reserves

The breakdown of "Reserves - Accumulated Reserves (Losses)" in the balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Reserves		
Voluntary reserves	653,307	653,175
	653,307	653,175

11. Tax matters

The Confederación is the parent company of the Tax Consolidation Group number 508/12, Cecabank, S.A. being the only subsidiary.

The Confederación file individual income tax returns in accordance with the applicable tax regulations.

11.1. Years open for review by the tax authorities

Pursuant to current legislation, tax settlements cannot be deemed to be definitive until they have been reviewed by the tax authorities or until the related statute-of-limitations period has expired.

Accordingly, at 31 December 2013, the Confederación had open for review by the tax authorities the taxes to which their business activities are subject, and for which at that date, had not passed within four years from the end of his term voluntary declaration.

Because of the varying interpretations that can be made of the tax legislation, the outcome of any reviews of the open years by the tax authorities might give rise to tax liabilities which cannot be objectively quantified at the present time. However, the tax advisers and directors of the Confederación consider that the possibility of material liabilities arising in this connection additional to those already recognized is remote.

In any event, in this regard it is important to take into consideration that, as a result of the spin-off described in Note 1.1, Cecabank, S.A. became the successor entity to the Confederación and assumed, in accordance with Article 90 of the Spanish Corporation Tax Law ("the TRLIS"), approved by Legislative Royal Decree 4/2004, of 5 March, all tax rights and obligations in relation to the assets and rights transferred by the Confederación, and the obligation of satisfying the requirements arising from the tax incentives held by the transferor insofar as they refer to the transferred assets and rights.

In 2012 the Confederación involve in a corporate restructuring subject to the special tax neutrality regime regulated by Title VII, Chapter VIII of the TRLIS approved by Legislative Royal Decree 4/2004, of 5 March (see Note 1.1).

11.2. Income tax

The detail of "Income Tax" in the income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Income tax expense for the year	(1,881)	(926)
Prior years' and other adjustments	(150)	-
	(2,031)	(926)

11.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognized for 2013 and 2012 to the accounting profit before tax multiplied by the tax rate applicable to the Confederación, and the income tax pay recognized at 31 December 2013 and 2012 are as follows:

	THOUSANDS OF EUROS	
	2013	2012
Accounting profit before tax	6,720	8,413
Tax rate	30%	30%
	2,016	2,524
Permanent differences:		
Increases	-	150
Decreases	(930)	(2,400)
Total	1,086	274
(Tax credits)/(Tax relief)	(2,967)	(1,200)
Income tax expense for the year	(1,881)	(926)
Temporary differences	-	-
Tax withholdings and prepayments	-	(390)
Income tax charge for the year (1)	(1,881)	(1,316)

(1) This amount is recognized under "Tax assets- Current" and "Tax Liabilities-Current" in the balance sheets at 31 December 2013 and 2012, , and represent the amounts payable by Cecabank, S.A. as a result of their use by this entity in the framework of implementation of the consolidated tax regime.

The permanent decreases in the taxable profit in the foregoing table include, among other items, the deduction of EUR 3,100 thousand relating to the amounts the Confederación assigned to welfare projects in 2013 (2012: EUR 8,000 thousand) (see Note 3).

"Tax Credits/Tax Relief" in the foregoing table includes, tax credits for double taxation of dividends regulated by the Spanish Corporation Tax Law.

11.4. Tax recognized in equity

The income tax expense recognized directly in the Confederación's equity gave rise to a net credit of EUR 2,067 thousand in 2012 to "Valuation Adjustments".During 2013 there has been any money for this item.

11.5. Deferred taxes

After the spin-off process performed in 2012 (see Note 1.1), and in view of the Confederación's procedures and the provisions of applicable tax and accounting legislation, no balance had been recognised in this item in the balance sheet at 31 December 2013 and 2012.

11.6. Tax assets - current

The detail of the main items of this heading in the accompanying balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Income tax receivables (1)	1,881	1,316
VAT refundable	1,328	56
Total	3,209	1,372

(1) As indicated above, the Confederación files consolidated tax returns with Cecabank, S.A. Therefore, these amounts are paid to the Confederación by this entity, as part of Cecabank's use of the tax losses generated by the Confederación (see Note 11.3).

11.7. Tax credit for reinvestment of extraordinary benefits

The amount of the income qualifying for the reinvestment tax credit and deductions for each year is as follows:

	Thousands of Euros		
Year	Income qualifying	Rent accredited	Tax credit
2010	10,681	4,448	534
2011	846	1,820	218
	11,527	6,268	752

12. Fair value

12.1. Fair value of financial assets and liabilities

The fair value of the Confederación's financial instruments at 31 December 2013 and 2012 is broken down, by class of financial asset and liability, into the following levels in these financial statements.

- **LEVEL 1:** financial instruments whose fair value was determined by reference to their quoted price in active markets, without making any change to these assets.
- **LEVEL 2:** financial instruments whose fair value is estimated by reference to quoted prices in organized markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- **LEVEL 3:** instruments whose fair value is estimated using valuation techniques in which certain significant inputs are not based on observable market data.

At 31 December 2013 and 2012, the Confederación held only level 2 financial assets classified as loans and receivables for an estimated fair value of EUR 10,691 thousand (31 December 2012: EUR 13,542 thousand), which coincided with their carrying amounts (see Note 5).

At 31 December 2013 and 2012, the Confederación held level 2 financial liabilities classified as financial liabilities at amortised cost for an estimated fair value of EUR 64 thousand (31 December 2012: EUR 101 thousand), which coincided in both cases with their carrying amounts (see Note 8).

It should be mentioned, with respect to the fair values included in the foregoing tables, that:

- The fair value of the loans and advances to credit institutions and the loans and advances to customers classified under “Loans and Receivables” is the same as their carrying amount since, in view of their features (counterparties, interest rates and maturities), their fair value is not significantly different from their amortized cost.
- The fair value of the liabilities classified as financial liabilities at amortized cost was the same as their carrying amount, since it was considered that, in view of the maturities and interest rates of these liabilities, their fair value was not significantly different from their amortized cost.

In the Confederación’s income statements for 2013 and 2012, no amounts had been recognised for changes in fair value of the financial instruments that represent unrealised gains or losses, of the financial instruments, whose fair value is determined by using a measurement technique the variables of which are obtained from observable market data (Level 2).

13. Exposure to credit risk associated with financial instruments

13.1. Credit risk management objectives, policies and processes

Credit risk is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed. This category includes:

- Principal risk: the risk of loss of the principal delivered.
- Replacement cost or counterparty risk: this relates to the counterparty's ability and intention to meet its contractual obligations on maturity. Credit risk exists throughout the term of the transaction, but it can vary from one day to the next due to the settlement mechanisms involved and to changes in the marking to market.
- Issuer risk: this risk arises when trading the financial assets of an issuer as a result of a change in the market perception of the issuer's economic and financial strength.
- Settlement or delivery risk: the risk that one of the parties to the transaction fails to deliver the agreed-upon consideration.
- Country risk: it is the credit risk associated with debts held by debtors in a given country due to circumstances other than normal commercial risk. It may take the form of transfer risk, sovereign risk or other risks arising from international financial activity.
- Concentration risk: measures the extent of the concentration of credit risk exposure to a specific geographical area/country, economic sector, product and customer group.
- Residual risk: includes risk derived from hedging strategies, credit risk mitigation techniques, securitization, etc.

After the spin-off process performed in 2012, the Confederación spun off its financial activity to Cecabank, S.A. and, accordingly, at 31 December 2013 and 2012, the Confederación's directors consider that it does not have any credit risk exposure (see Note 1.1), since the only financial asset it had recognised in its balance sheet is the current/demand account held with Cecabank, S.A.

13.2. Maximum credit risk exposure level

After the spin-off process performed in 2012 (see Note 1.1) , the Confederación's maximum level of credit risk exposure relates to the amount recognised under "Loans and Receivables – Loans and Advances to Credit Institutions", which relates to the current/demand account held with Cecabank, S.A .

13.3. Credit quality of unimpaired, non-past-due financial assets

After the spin-off process performed in 2012 (see Note 1.1.), the only financial asset held by the Confederación in its balance sheet at 31 December 2013 and 2012 is a current/demand account it holds with Cecabank, S.A .

13.4. Information on non-performing loans ratios

After the spin-off process performed in 2012 (see Note 1.1), the Confederación had not recognised any doubtful assets or expired registration on their balance sheets to December 31, 2013 and 2012.

13.5. Financial assets renegotiated in the year

It is worth mentioning that during 2013 and 2012, given activities carried on by the Confederación and the risk profile assumed by it, no financial instruments had their original financial terms and conditions renegotiated.

13.6. Impaired assets and impairment losses

At 31 December 2013 and 2012, the Confederación had not recognised any impaired assets on its balance sheets. Also, it had not recognised any impairment losses at 31 December 2013 or 2012.

13.7. Past-due but not impaired assets

At 31 December 2013 and 2012 the Confederación had not recognized any material past-due but not impaired assets in its financial statements.

13.8. Write-off of impaired financial assets

At 31 December 2013 and 2012 the Confederación did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no changes in this connection in 2013 and 2012.

13.9. Exposure to real estate risk

After the spin-off process performed in 2012, no balance had been recognised in this item in the balance sheet (see Note 1.1) neither at December 2013 nor December 2012.

13.10. Other disclosures on credit risk

At 31 December 2013 and 2012 the amount of accrued uncollected past-due receivables on impaired financial assets was not material. In 2013 and 2012 no guarantees associated with financial assets owned by the Confederación were executed in order to guarantee the collection thereof.

14. Exposure to market risk

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognized in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book.

After the spin-off process performed in 2012 (see Note 1.1), the Confederación spun off its financial activity to Cecabank, S.A. and, accordingly, its exposure direct to this risk at 31 December 2013 and 2012 was considered insignificant.

Interest rate risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates. The exposure to interest rate risk can be divided into the following two elements:

Directional, slope and basis risk

Directional risk is the sensitivity of income to parallel shifts in the interest rate curve, while interest rate curve risk is the sensitivity of gains to changes in the structure of the rate curve, due to a change either in the slope or the shape of the curve.

Basis risk is the potential loss arising from unexpected changes in the spreads between the various interest rate curves with respect to which portfolio positions are held. Liquidity conditions in markets and the perception of the specific risk usually trigger this type of fluctuation, although other factors can also play a part.

Spread risk

Spread risk arises from holding corporate bond positions (and credit derivatives) and is defined as the exposure to the specific risk of each issuer. In case exist.

Certain circumstances relating to the market and/or the issue itself can widen the spreads due to the liquidity premium.

Foreign exchange risk

Foreign exchange risk arises on the net positions of one currency against the euro or one currency against another. Therefore, foreign exchange risk is the potential fluctuation in spot exchange rates affecting the value of positions.

Interest rate spread risk

Net interest rate spread risk arises from the difference between interest rates in two different currencies and its effect on forward foreign currency positions.

Equity risk

This represents the risk of incurring losses as a result of changes in share prices.

At 31 December 2013 and 2012, the Confederación did not hold any positions on its balance sheet subject to the risks described above and, therefore, the exposure to these risks is considered insignificant.

15. Liquidity risk

The aim of the Confederación as regards liquidity risk is to have in place at all times the instruments and processes to enable it to meet payment commitments, so that it has available to it the instruments to enable it to maintain sufficient levels of liquidity to meet its payment commitments without significantly compromising the Confederación's results, and to maintain the mechanisms to enable it to meet its payment commitments in the event of various eventualities.

The liquidity risk is defined as:

- The uncertainty regarding the availability, at reasonable prices, of funds to enable the Confederación to meet its commitments when recourse to external financing is difficult for a particular period of time.
- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Confederación periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Confederación has planned measures to enable it to restore the Confederación's overall financial equilibrium in the event of a possible shortfall in liquidity.

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the balance sheet in terms of cash inflows and outflows. Its purpose is to measure the net funding required or the net excess of funds for various time horizons. Accordingly, it reflects the liquidity level maintained under normal market conditions. This measure provides information on contractual and non-contractual cash inflows and outflows (pursuant to historical-behavior based assumptions to which statistical analyses are applied).

After the spin-off process performed in 2012 (see Note 1.1), since, at 31 December 2013 and 2012, the Confederación held available-for-sale financial assets that exceeded the financial liabilities due to mature, its exposure to this risk was considered.

16. On-balace-sheet interest rate risk management

On-balance-sheet structural interest rate risk can be defined as the exposure of the economic and financial position -resulting from the varying maturity and repricing dates of balance sheet items- to adverse fluctuations in interest rates. This risk is a substantial part of the banking business and can considerably affect the net interest margin and the economic value of capital. Consequently, interest rate risk management that keeps this risk at prudent levels is essential to the security and strength of the Confederación.

After the spin-off process performed in 2012, (see Note 1.1), the Confederación were spun off to Cecabank, S.A its financial activity. therefore, at 31 December 2013 and 2012 the direct exposure to these risks is considered little significant.

17. Risk concentration

17.1 Risk concentration by activity and geographical area

After the spin-off process performed in 2012, (see Note 1.1), the only financial asset held by the Confederación is a current account held with Cecabank, S.A., which was recognised under “Loans and Receivables – Loans and Advances to Credit Institutions” and was therefore classified in terms of activity as a financial institution resident in Spain.

17.2. Concentration of equity instruments

Following the spin-off process carried out in 2012, the Confederación does not hold any investments in equity instruments, except its 89% ownership interest in the share capital of Cecabank, S.A.

18. Welfare fund

Confederación Española de Cajas de Ahorros, within the framework of its welfare projects, finances Fundación de las Cajas de Ahorros (FUNCAS), a private not-for-profit organisation that engages in activities that benefit Spanish society, promote saving, and contribute to the raising of public awareness of savings banks by facilitating the service provided by them to society.

In particular, the objectives of the Fundación are:

- the promotion of economic and social studies and research
- the organisation of public events, and
- cultural dissemination in the broadest sense of the term and the fostering of all activities leading to a heightened awareness of the Spanish economy and society, thus encouraging useful recommendations regarding economic and social policy.

At 31 December 2013 and 2012 and throughout those years, the Confederación's Welfare fund was not invested in any tangible or intangible assets.

The changes in 2013 and 2012 in the balance of "Welfare Fund" on the liability side of the balance sheets are as follows:

	THOUSANDS OF EUROS	
	2013	2012
Beginning balance before distribution of profit	215	215
Transfer charged to prior period profit (Note 3)	8,000	3,715
Maintenance expenses for the year:	-	-
Depreciation/amortization of assets assigned to welfare projects	-	-
Budgeted current expenses for the year	(8,000)	(3,715)
Other expenses from previous years	-	-
Ending balance before distribution of profit	**215**	**215**

19. Interest and similar income

The only interest and similar income recognised by the Confederación in the income statements for 2013 and 2012 relates to the interest earned on the current account held by the Confederación at Cecabank, S.A. in those years, which amounted to EUR 19 thousand and EUR 3,008 thousand, respectively. Based on its nature, this interest is classified as loans and advances to credit institutions. The effective interest rate applied in 2013 was the Eonia rate + 0.15% (2012: 3.63%).

20. Income from equity instruments

The only amount recognised in this heading in the Confederación's income statements for 2013 and 2012 relates to the dividends accrued from the ownership interest in the share capital of Cecabank, S.A. (see Note 6). These dividends amounted to EUR 9,892 thousand in 2013 (2012: EUR 4,000 thousand).

21. Other operating income

The amount recognised in this heading in the Confederación's income statements for 2013 and 2012 relates mainly to the income from the dues from the member entities under the agreements entered into between the member entities and the Confederación (see Note 1). The balance of this heading was EUR 8,007 thousand in 2013 (2012: EUR 13,249 thousand). This amount is set as a proportion of the volume of third-party assets held in custody by the member entities, on approval of the Confederación's annual budget by the General Assembly at the proposal of the Board of Directors.

22. Administrative expenses – Staff costs

The detail of " Administrative Expenses – Staff Costs" in the income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Wages and salaries	533	549
Social security costs	31	29
	564	578

After the spin-off process performed in 2012, (see Note 1.1) all the Confederación's employees became employees of Cecabank, S.A., except a small number of employees who are also part-time employees of Confederación and work on the development of:

- support activities for the association and institutional representation functions performed by the Confederación and,
- the daily management of the Confederación and, in particular, the performance of its activity through Cecabank, S.A.

23. Administrative expenses – Other general administrative expenses

The breakdown of this heading in the consolidated income statements for the years 2013 and 2012 and losses is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Rental income (*)	20	-
Legal expenses	50	-
Technical reports	227	267
Surveillance and cash Courier services	12	-
Governing and control bodies	710	867
Outsourced administrative services	8,135	9,137
Entertainment and travel expenses	66	184
Levies and taxes	1	-
Association membership fees	1,403	991
Others	10	-

(*) Of which, in 2013, EUR 8,146 thousand (2012: 9,049 thousand) related to the expenses incurred by the Confederación for the services rendered by Cecabank, S.A. (see Note 24).

The detail of the fees paid for the audit of the Confederación and other non-audit services provided by the Confederación's auditor is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Audit services	45	56
Other attest services	15	174
Total audit and related services	60	230
Tax counselling services	-	-
Other services	-	569
	-	569
Total professional services	60	799

Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July

Pursuant to Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, which was implemented by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 December 2010, on disclosures to be included in the notes to financial statements with regard to the payment periods to suppliers in commercial transactions, it is hereby stated that:

- The information presented in this Note on payment periods relates exclusively to payments to suppliers for the provision of sundry services and supplies to the Confederación. Neither does this Note include information on payments to suppliers excluded from the scope of this disclosure obligation pursuant to the aforementioned ICAC Resolution, such as payments to non-current asset suppliers that are not considered to be trade creditors.

- With regard to the disclosures required by Law 15/2010, of 5 July, relating to trade suppliers and the suppliers of services to the Confederación,, set forth below is the information required by the aforementioned law, with the scope defined in the preceding paragraph.

In 2013:

	THOUSANDS OF EUROS	
	Payments during 2013 and Payable payments at year ended 2013	
	Amount	% (1)
Within maximum legal period (2)	12,231	100
Other	-	-
Total 2013	12,231	100
Exceeded weighted average terms of payments (as days)	-	-
Deferrals that exceed maximum legal period at year ended 2013	-	-

(1) Percentage of the total.

(2) The maximum payment period is, in each case, that corresponding to the nature of the goods or services received by the Confederación in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions

In 2012:

	THOUSANDS OF EUROS	
	Payments during 2012 and Payable payments at year ended 2012	
	Amount	% (1)
Within maximum legal period (2)	3,677	100
Other	-	-
Total 2012	3,677	100
Exceeded weighted average terms of payments (as days)	-	-
Deferrals that exceed maximum legal period at year ended 2012	-	-

(1) Percentage of the total.

(2) The maximum payment period is, in each case, that corresponding to the nature of the goods or services received by the Confederación in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions.

24. Related party transactions

Internal relationship memorandum of understanding between the Confederación Española de Cajas de Ahorros and Cecabank, S.A.

As part of the process to incorporate Cecabank, S.A. and the spin-off carried out by the Confederación to this entity in 2012 (see Note 1.1), an "Internal relationship memorandum of understanding between the Confederación Española de Cajas de Ahorros and Cecabank, S.A." was established. This memorandum of understanding identifies the services that Cecabank provides to the Confederación and sets the general criteria for intra-Group transactions and for the rendering of intra-Group services on an arm's-length basis, which are summarized below:

- Associative Services
- Compliance Services
- Communication, Institutional Relations, Protocol, Corporate Image Management, Publishing and Contract Depository
- Reporting and regulatory Services
- Technical Area Services
- General Secretary and Legal and Tax Advisory Services
- Monitoring of risk profile
- Planning and Control
- Human and estate Resources and
- Internal Audit Services

The expenses incurred by the Confederación for these services rendered by Cecabank, S.A., which amounted to EUR 8,146 thousand in 2013 (9,049 thousand in 2012), were recognised under "Administrative Expenses - Other General Administrative Expenses" in the 2013 and 2012 income statement (see Note 23).

At December 2103 and 2012, there were no balances in relation to the Board of Director sor to persons related thereto.

Furthermore, set forth below are the balances recognised in the balance sheets at 31 December 2013 and 2012 and in the income statements for 2013 and 2012 with other related parties, as defined in the applicable legislation, which relate in full to transactions carried out with Cecabank, S.A., subsidiary of the CECA Group (see Note 2.1):

	THOUSANDS OF EUROS	
	2013	2012
	Subsidiaries	Subsidiaries
Asset:		
Loans and receivables (Note 5)	10,691	13,542
Income statement:		
Interest and Similar Income (Note 19)	19	3,008
Income from Equity Instruments (Note 20)	9,892	4,000
Other general administrative esxpenses (Note 23)	8,146	9,049

In addition to the information included in the foregoing table, “Tax Assets - Current” on the asset side of the balance sheet at 31 December 2013 included EUR 1,881 thousand relating to the amount receivable by the Confederación in relation to income tax that, as a result of the fact that it belongs to the consolidated tax group of which it is head, Cecabank, S.A. is estimated to pay (31 December 2012: EUR 1,316 thousand).

25. Events after the balance sheet date

From the balance sheet date to the date on which these financial statements were authorized for issue there were no events significantly affecting them.

26. Explanation added for translation to English

These financial statements are presented on the basis of the Bank of Spain Circular 4/2004. Certain accounting practices applied by the Bank that conform with the Circular may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries included in the Group at 31 December 2013

			Proportion of ownership interest (%)			THOUSANDS OF EUROS – ENTITY DATA AT 31 DECEMBER 2013 (*)			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Cecabank, S.A.	Madrid	Credit Institution	89%	-	89%	12,061,106	11,205,616	855,490	52,419

(*) Las cuentas anuales de esta sociedad a 31 de diciembre de 2013 están pendientes de ser formuladas y aprobados por sus correspondientes órganos de gobierno, por lo que esta información debe ser considerada como provisional.

Subsidiaries included in the Group at 31 December 2012

			Proportion of ownership interest (%)			THOUSANDS OF EUROS – ENTITY DATA AT 31 DECEMBER 2012			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Cecabank, S.A.	Madrid	Credit Institution	89%	-	89%	15,015,995	14,261,603	754,392	34,654

External Audit Report

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Confederación Española de Cajas de Ahorros (see Notes 1 and 26). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the General Assembly of Confederación Española de Cajas de Ahorros:

1. We have audited the financial statements of Confederación Española de Cajas de Ahorros (the "Confederación") , which comprise the balance sheet at 31 December 2013 and the related income statement, statement of recognised income and expense, statement of changes in total equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the financial statements in accordance with the regulatory financial reporting framework applicable to the Confederación (identified in Note 1.2 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of the Confederación at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Confederación and, in particular, with the accounting principles and rules contained therein.

3. The accompanying directors' report for 2013 contains the explanations which the directors consider appropriate about the Confederación's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of the Confederación.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Juan Manuel Alonso Fernández
23 January 2014

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, [illegible]
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

ASSETS	2013	2012 (*)
1. Cash and balances with central banks (Note 7)	393,402	463,115
2. Financial assets held for trading (Note 8.1)	4,444,621	6,128,285
2.1 Loans and advances to credit institutions	-	-
2.2 Loans and advances to customers	-	-
2.3 Debt instruments	923,365	872,410
2.4 Equity instruments	54,481	51,905
2.5 Trading derivatives	3,466,775	5,203,970
Memorandum item: Loaned or advanced as collateral	234,978	539,993
3. Other financial assets at fair value through profit or loss (Note 8.2)	2,341,993	2,588,042
3.1 Loans and advances to credit institutions	1,218,542	1,798,113
3.2 Loans and advances to customers	1,123,451	789,929
3.3 Debt instruments	-	-
3.4 Equity instruments	-	-
Memorandum item: Loaned or advanced as collateral	890,168	1,170,479
4. Available-for-sale financial assets (Note 9)	3,653,801	3,623,218
4.1 Debt instruments	3,610,111	3,540,084
4.2 Equity instruments	43,690	83,134
Memorandum item: Loaned or advanced as collateral	527,250	1,181,784

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

ASSETS	2013	2012 (*)
5. Loans and receivables (Note 10)	964,049	1,915,993
5.1 Loans and advances to credit institutions	577,475	1,287,234
5.2 Loans and advances to customers	309,148	371,107
5.3 Debt instruments	77,426	257,652
Memorandum item: Loaned or advanced as collateral	2,591	3,034
6. Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
8. Hedging derivatives (Note 11)	242	-
9. Non-current assets held for sale (Note 12)	18,504	84
10. Investments (Note 13)	-	-
10.1 Associates	-	-
10.2 Jointly controlled entities	-	-
11. Insurance contracts linked to pensions	-	-
12. Reinsurance assets	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 3 of 4

ASSETS	2013	2012 (*)
13. Tangible assets (Note 14)	54,876	94,137
13.1 Property, plant and equipment	53,816	93,041
13.1.1 For own use	53,816	93,041
13.1.2 Leased out under an operating lease	-	-
13.1.3 Assigned to welfare projects	-	-
13.2 Investment property	1,060	1,096
Memorandum item: Loaned or advanced as collateral	-	-
14. Intangible assets (Note 15)	55,880	50,863
14.1 Goodwill	-	-
14.2 Other intangible assets	55,880	50,863
15. Tax assets	121,209	125,625
15.1 Current	1,825	10,246
15.2 Deferred (Note 22)	119,384	115,379
16. Other assets (Note 16)	18,998	32,164
16.1 Inventory	-	-
16.2 Other	18,998	32,164

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 4 of 4

ASSETS	2013	2012 (*)
TOTAL ASSETS	12,067,575	15,021,526
MEMORANDUM ITEMS		
1. Contingent liabilities (Note 30.1)	77,780	83,279
2. Contingent commitments (Note 30.3)	623,477	886,556

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
LIABILITIES		
1. Financial liabilities held for trading (Note 8.1)	3,963,813	5,592,180
1.1 Deposits from central banks	-	-
1.2 Deposits from credit institutions	-	-
1.3 Customer deposits	-	-
1.4 Marketable debt securities	-	-
1.5 Trading derivatives	3,412,526	5,158,066
1.6 Short positions	551,287	434,114
1.7 Other financial liabilities	-	-
2. Other financial liabilities at fair value through profit or loss (Note 8.2)	1,657,148	2,887,600
2.1 Deposits from central banks	-	-
2.2 Deposits from credit institutions	1,005,963	1,824,376
2.3 Customer deposits	651,185	1,063,224
2.4 Marketable debt securities	-	-
2.5 Subordinated liabilities	-	-
2.6 Other financial liabilities	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
LIABILITIES		
3. Financial liabilities at amortised cost (Note 17)	5,151,060	5,053,882
3.1 Deposits from central banks	1,319,356	1,309,497
3.2 Deposits from credit institutions	1,195,558	2,025,997
3.3 Customer deposits	2,361,873	1,530,579
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities	274,273	187,809
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives (Note 11)	9,364	16,845
6. Liabilities associated with non-current assets held for sale	-	-
7. Liabilities under insurance contracts	-	-
8. Provisions	197,713	238,336
8.1 Provisions for pensions and similar obligations (Note 38)	99,090	93,569
8.2 Provisions for taxes and other legal contingencies	-	-
8.3 Provisions for contingent liabilities and commitments (Note 18)	16	54,758
8.4 Other provisions (Note 18)	98,607	90,009

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
LIABILITIES		
9. Tax liabilities (Note 22)	40,632	25,442
9.1 Current	3,502	2,034
9.2 Deferred	37,130	23,408
10. Welfare fund (Note 29)	215	215
11. Other liabilities (Note 16)	176,158	435,169
TOTAL LIABILITIES	**11,196,103**	**14,249,669**
EQUITY		
1. Own funds	727,191	692,066
1.1 Endowment fund	-	-
1.1.1 Registered capital	-	-
1.1.2 Less: Uncalled capital	-	-
1.2 Share premium	-	-
1.3 Reserves	681,770	656,622
1.3.1. Accumulated reserves (losses) (Nota 20)	681,770	656,622
1.3.2. Reserves at jointly controlled entities (losses)	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
EQUITY		
1.4 Other equity instruments	-	799
1.4.1 Equity component of compound financial instruments	-	-
1.4.2 Non-voting equity units and associated funds (Note 20)	-	799
1.4.3 Other equity instruments	-	-
1.5 Less: Treasury shares	-	-
1.6 Profit for the year	45,421	34,645
1.7 Less: Dividends and remuneration	-	-
2. Valuation adjustments (Nota 19)	51,100	(2,540)
2.1 Financial assets held for sale	49,262	(1,325)
2.2 Cashflow Hedges	(967)	(2,197)
2.3 Hedges of net investments in foreign operations	-	-
2.4 Foreign currency hedge	-	-
2.5 Non-current assets held for sale	-	-
2.6 Jointly controlled entities	-	-
2.7 Other Valuation Adjustments	2,805	982

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012 (*)
EQUITY		
3. Minority interests (Note 21)	93,181	82,331
3.1 Valuation adjustments	6,440	297
3.2 Other	86,741	82,034
TOTAL EQUITY	**871,472**	**771,857**
TOTAL LIABILITIES AND EQUITY	12,067,575	15,021,526

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the balance sheet at 31 December 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 1 of 3

	Income / (Expense)	
	2013	2012 (*)
1. Interest and similar income (Note 31)	129,663	186,391
2. Interest expense and similar charges (Note 32)	(36,152)	(58,141)
A. NET INTEREST INCOME	93,511	128,250
4. Income from equity instruments (Note 33)	4,762	18,551
5. Share of results of entities accounted for using the equity method	-	-
6. Fee and commission income (Note 34)	105,118	111,800
7. Fee and commission expense (Note 35)	(24,237)	(33,421)
8. Gains/losses on financial assets and liabilities (net) (Nota 36)	20,939	6,928
8.1 Held for trading	7,151	(7,683)
8.2 Other financial instruments at fair value through profit or loss	(374)	2,991
8.3 Financial instruments not measured at fair value through profit or loss	14,083	5,250
8.4 Other	79	6,370
9. Exchange differences (net)	33,285	37,845
10. Other operating income (Note 37)	57,914	71,872
10.1 Income from insurance and reinsurance contracts issued	-	-
10.2 Sales and income from the provision of non-financial services	1,155	1,185
10.3 Other operating income	56,759	70,687

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
11. Other operating expenses (Note 40)	(560)	(1,074)
11.1 Insurance and reinsurance contract expenses	-	-
11.2 Changes in inventories	(147)	(811)
11.3 Other operating expenses	(413)	(263)
B. GROSS INCOME	290,732	340,751
12. Administrative expenses	(137,345)	(134,972)
12.1 Staff costs (Note 38)	(65,285)	(58,576)
12.2 Other general administrative expenses (Note 39)	(72,060)	(76,396)
13. Depreciation and amortisation (Note 42)	(32,808)	(14,430)
14. Provisions (net) (Note 18)	21,432	(45,219)
15. Impairment losses on financial assets (net) (Notes 24 and 41)	(54,333)	(52,694)
15.1 Loans and receivables	(21,150)	(11,632)
15.2 Other financial instruments not measured at fair value through profit or loss	(33,183)	(41,062)

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012 (*)
C. PROFIT FROM OPERATIONS	87,678	93,436
16. Impairment losses on other assets (net)	-	(44,810)
16.1 Goodwill and other intangible assets (Nota 15)	-	(44,810)
16.2 Other Assets	-	-
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	(9)
18. Negative goodwill on business combinations	-	-
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations (Note 12)	(17,022)	-
D. PROFIT BEFORE TAX	70,656	48,617
20. Income tax (Note 22)	(19,527)	(10,380)
21. Mandatory transfer to welfare projects and funds	-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	51,129	38,237
22. Profit/Loss from discontinued operations (net)	-	-
F. CONSOLIDATED PROFIT FOR THE YEAR	51,129	38,237
F.1 Profit attributable to the Parent	45,421	34,645
F.2 Profit attributable to minority interests	5,708	3,592

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the income statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	2013	2012 (*)
A) CONSOLIDATED PROFIT FOR THE YEAR	51,129	38,237
B) OTHER RECOGNISED INCOME AND EXPENSE	59,783	4,017
B.1) Items that will not be reclassified to profit or loss	2,046	2,716
1. Actuarial gains and losses on defined benefit pension plans	2,923	3,879
2. Non-current assets held for sale	-	-
4. Income tax relating to items that will not be reclassified to profit or loss	(877)	(1,163)
B.2) Items that may be reclassified to profit or loss	57,737	1,301
1. Available-for-sale financial assets	80,894	4,997
1.1. Revaluation gains (losses)	62,148	(30,834)
1.2. Amounts transferred to income statement	18,746	35,831
1.3. Other reclassifications	-	-
2. Cash flow hedges	1,587	(3,139)
2.1. Revaluation gains (losses)	261	(3,797)
2.2. Amounts transferred to income statement (Note 32)	1,326	658
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the statement of recognised income and expense for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	2013	2012 (*)
3. Hedges of net investments in foreign operations	-	-
3.1. Revaluation gains (losses)	-	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-	-
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Revaluation gains (losses)	-	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	-
8. Other recognised income and expense	-	-
9. Income tax	(24,744)	(557)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	110,912	42,254
C 1) Attributable to the Parent	98,676	38,365
C 2) Attributable to minority interests	12,236	3,889

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the statement of recognised income and expense for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	OWN FUNDS												
	ENDOWMENT FUND	SHARE PREMIUM	RESERVES (NOTE 20)	RESERVES (LOSSES) OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	OTHER EQUITY INSTRUMENTS (NOTE 20)	LESS: TREASURY SHARES	PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT	LESS: DIVIDENDS AND REMUNERATION	TOTAL OWN FUNDS	VALUATION ADJUSTMENTS (NOTE 19)	TOTAL	MINORITY INTERESTS (NOTE 21)	TOTAL EQUITY
1. Ending balance at 31/12/12	-	-	655,185	-	799	-	37,064	-	693,048	(3,522)	689,526	82,331	771,857
1.1. Adjustments due to changes in accounting policies	-	-	1,437	-	-	-	(2,419)	-	(982)	982	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	656,622	-	799	-	34,645	-	692,066	(2,540)	689,526	82,331	771,857
3. Total recognised income and expense	-	-	-	-	-	-	45,421	-	45,421	53,255	98,676	12,236	110,912
4. Other changes in equity	-	-	25,148	-	(799)	-	(34,645)	-	(10,296)	385	(9,911)	(1,386)	(11,297)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	26,645	-	-	-	(26,645)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	(8,000)	-	(8,000)	-	(8,000)	-	(8,000)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	(1,497)	-	(799)	-	-	-	(2,296)	385	(1,911)	(174)	(2,085)
5. Ending balance at 31/12/13	**-**	**-**	**681,770**	**-**	**-**	**-**	**45,421**	**-**	**727,191**	**51,100**	**778,291**	**93,181**	**871,472**

(*) Presented for comparison purposes only.The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the statement of changes in total equity for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	OWN FUNDS												
	ENDOWMENT FUND	SHARE PREMIUM	RESERVES	RESERVES (LOSSES) OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	OTHER EQUITY INSTRUMENTS	LESS: TREASURY SHARES	PROFIT FOR THE YEAR ATTRIBUTABLE TO THE PARENT	LESS: DIVIDENDS AND REMUNERATION	TOTAL OWN FUNDS	VALUATION ADJUSTMENTS (NOTE 19)	TOTAL	MINORITY INTERESTS	TOTAL EQUITY (*)
1. Ending balance at 31/12/11	-	-	672,194	-	30,051	-	38,053	-	740,298	(4,823)	735,475	-	735,475
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	672,194	-	30,051	-	38,053	-	740,298	(4,823)	735,475	-	735,475
3. Total recognised income and expense	-	-	-	-	-	-	37,064	-	37,064	1,301	38,365	3,889	42,254
4. Other changes in equity	-	-	(17,009)	-	(29,252)	-	(38,053)	-	(84,314)	-	(84,314)	78,442	(5,872)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-	-	78,932	78,932
4.2. Reductions of endowment fund	-	-	-	-	(29,252)	-	-	-	(29,252)	-	(29,252)	-	(29,252)
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	(1,667)	-	(1,667)	-	(1,667)	(490)	(2,157)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	32,671	-	-	-	(32,671)	-	-	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds	-	-	-	-	-	-	(3,715)	-	(3,715)	-	(3,715)	-	(3,715)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	(49,680)	-	-	-	-	-	(49,680)	-	(49,680)	-	(49,680)
5. Ending balance at 31/12/12	**-**	**-**	**655,185**	**-**	**799**	**-**	**37,064**	**-**	**693,048**	**(3,522)**	**689,526**	**82,331**	**771,857**

(*) Presented for comparison purposes only.The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the statement of changes in total equity for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Collections / (Payments)	
	2013	2012 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES	(32,489)	155,003
1. Consolidated profit for the year	51,129	38,237
2. Adjustments made to obtain the cash flows from operating activities	119,706	191,786
2.1. Depreciation and amortisation	32,808	14,430
2.3. Other adjustments	86,898	177,356
3. Net (increase)/decrease in operating assets	2,924,990	1,441,985
3.1. Financial assets held for trading	1,705,123	(311,233)
3.2. Other financial assets at fair value through profit or loss	260,132	(1,585,174)
3.3. Available-for-sale financial assets	13,967	(21,269)
3.4. Loans and receivables	929,626	3,351,633
3.5. Other operating assets	16,142	8,028
4. Net (increase)/decrease in operating liabilities	(3,096,598)	(1,489,602)
4.1. Financial liabilities held for trading	(1,628,367)	231,533
4.2. Other financial liabilities at fair value through profit or loss	(1,230,452)	562,876
4.3. Financial liabilities at amortised cost	97,178	(1,947,955)
4.4. Other operating liabilities	(334,957)	(336,056)
5. Collections/(Payments) of income tax	(31,716)	(27,403)

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Collections / (Payments)	
	2013	2012 (*)
B) CASH FLOWS FROM INVESTING ACTIVITIES	(34,006)	(103,193)
6. Payments	(69,448)	(103,193)
6.1. Tangible assets	(1,160)	(1,240)
6.2. Intangible assets	(32,846)	(101,953)
6.3. Investments	-	-
6.4. Other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	(35,442)	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Collections	35,442	-
7.1. Tangible assets	35,442	-
7.2. Intangible assets	-	-
7.3. Investments	-	-
7.4. Other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Collections / (Payments)	
	2013	2012 (*)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(3,218)	(81,089)
8. Payments	(3,218)	(81,089)
8.1. Dividends	(1,212)	(2,157)
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	(2,006)	(29,252)
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments related to financing activities	-	(49,680)
9. Collections - -		
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to financing activities	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Collections / (Payments)	
	2013	2012 (*)
D) EFFECT OF CHANGES IN EXCHANGE RATES	-	-
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(69,713)	(29,279)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	463,115	492,394
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	393,402	463,115
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	42,601	44,083
1.2. Cash equivalents at central banks	350,801	419,032
1.3. Other financial assets	-	-
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 7)	393,402	463,115
of which: held by consolidated entities but not drawable by the Group	-	-

(*) Presented for comparison purposes only. The accompanying Notes 1 to 45 and Appendixes I and II are an integral part of the cash flow statement for 2013.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 1.2 and 45). In the event of a discrepancy, the Spanish-language version prevails.

CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS AND SUBSIDIARIES COMPOSING THE CONFEDERACIÓN ESPAÑOLA DE CAJAS DE AHORROS GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

1. Introduction, basis of presentation of the consolidated financial statements and other information

1.1. Introduction

Confederación Española de Cajas de Ahorros ("the Confederación") is an entity subject to the rules and regulations applicable to credit institutions operating in Spain. The Confederación operates mainly in Spain. Its registered office is at calle Alcalá, 27, Madrid. Public information on the Confederación can be consulted both on the Confederación's official website (www.ceca.es) and at its registered office.

The Confederación is the National Association of all member, or potential member, popular savings banks, whether or not they are grouped together in Federations, and provides them with financial services. Membership of the Confederación, with the same rights and obligations, is also open to entities which, in accordance with current legislation, carry on the financial activity of one or several savings.

During 2012, the Confederation conducted after approval of the authorities, a spin-off operation of all of its assets, except for certain assets and liabilities related to welfare fund, to Cecabank, S.A., a financial institution created in that year, which was subrogated to all the rights and obligations that kept the Confederación until that moment. As a result of this spin-off, the Confederación began to render their services at Cecabank, S.A. in which it held a 89% of the share capital, and which is, therefore, fully consolidated in these consolidated financial statements in accordance with the regulations currently in force.

Without prejudice to the preceding paragraphs, it should be noted that on 28 December 2013, Law 26/2013, of 27 December, on savings banks and banking foundations ("Law 26/2013") was published in the Official State Gazette. Additional Provision Eleven of this law establishes that:

- The Confederación may consist of any savings banks, banking foundations and credit institutions that join, and it may maintain the functions and purposes that it possesses pursuant to the legislation prior to the entry into force of Law 26/2013, and any other functions and purposes specified in its bylaws.
- The Confederación shall lose its status as a credit institution on the entry into force of the bylaws to which the following paragraph refers, without prejudice to the fact that it may provide its services through a bank in which it has an ownership interest, in the terms established in its bylaws.

- Within six months from the entry into force of Law 26/2013, the Confederación shall submit for authorisation by the Ministry of Economy and Competitiveness a proposal for adapting its bylaws to its new legal regime.

At the date of authorisation for issue of these consolidated financial statements, the Confederación's bylaws were in the process of being adapted to the provisions of Law 26/2013.

In addition to the operations carried on through its Investment in Cecabank, S.A., as previously stated, the Confederación is the head of a group of subsidiaries, the Confederación Española de Cajas de Ahorros Group ("the Group" or "CECA Group"). Therefore, the Confederación is obliged to prepare, in addition to its own individual financial statements, the Group's consolidated financial statements, which also include the interests in joint ventures (jointly controlled entities) and the investments in associates, if any.

The Confederación Española de Cajas de Ahorros Group comprised the following companies at 31 December 2013:

Subsidiaries

- Cecabank, S.A., established in 2012 with the purpose of developing the Confederación's activity, as previously explained.
- Cea Trade Services Limited, incorporated in 2004 to encourage the provision of foreign trade services to savings banks.

At 31 December 2012, in addition to the aforementioned company, the Confederación considered Caja Activa, S.A., in which it held a 99.99% ownership interest, to be a Group entity. This entity was liquidated in 2013, and this liquidation did not have a material effect on these financial statements.

Jointly controlled entity

- Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A., incorporated in 1993 in order to establish, manage and legally represent asset-backed bond SPVs and mortgage-backed security SPVs.

At 31 December 2013, the Group did not have any ownership interests in companies which, in accordance with applicable legislation, should be considered as associates.

The accompanying Appendixes I and II include salient financial information relating to these companies. Also, Note 3 contains the Confederación's summarized financial statements for 2013, including comparative information for 2012.

The Group's consolidated financial statements for 2012 were approved at the Confederación's Annual General Assembly on 13 March 2013. The 2013 consolidated financial statements of the Group and of the Confederación have not yet been approved by the General Assembly. However, the Confederación's Board of Directors considers that they will be approved without any material changes.

1.2. Basis of presentation of the consolidated financial statements

The Group's consolidated financial statements for 2013 were authorized for issue by the Confederación's directors at the Board of Directors meeting held on 19 February 2014.

The Group's consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the European Union at 31 December 2013 ("IFRSs-EU"), taking into account Bank of Spain Circular 4/2004, of 22 December, on public and confidential financial reporting rules and financial statement formats for credit institutions and as amended thereafter. This Bank of Spain Circular 4/2004 implements and adapts for the Spanish credit institution industry the International Financial Reporting Standards approved by the European Union.

The Group's consolidated financial statements for 2013 were prepared taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements and, accordingly, they present fairly the Group's consolidated equity and financial position at 31 December 2013, and the consolidated results of its operations, the consolidated statement of recognized income and expense and the consolidated cash flows in the year then ended, in accordance with the financial information's regulatory framework to be applied in this case, particularly with the accounting policies and measurement bases contained in the document mentioned in the previous paragraph.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2013 are summarized in Note 2.

The consolidated financial statements were prepared from the accounting records kept by the Confederación and by the other Group entities. However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2013 may differ from those used by certain Group entities, the required adjustments and reclassifications are made on consolidation to unify such policies and bases and to make them compliant with the EU-IFRSs used by the Confederación in the preparation of its consolidated financial statements.

1.3. Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Confederación's Directors.

In the preparation of the Group's consolidated financial statements for 2013 estimates were made by the Group's Directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (see Notes 2.9, 2.13, 2.14 and 2.17).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations and other long-term obligations to employees (see Note 2.11).
- The calculation of the fair value of its obligations compromisos and any provisions required for contingent liabilities (see Notes 2.10 and 2.15).
- The useful life of the tangible and intangible assets (see Notes 2.13 and 2.14); and
- The fair value of certain financial instruments and unquoted liabilities (see Note 2.2.3).

Although these estimates were made on the basis of the best information available at 31 December 2013 and at the date on which these consolidated financial statements were authorized for issue on the events analyzed, future events might make it necessary to change these estimates (upwards or downwards) in coming years. Any required changes in accounting estimates would be applied prospectively in accordance with the applicable standards, recognizing the effects of the change in estimates in the consolidated income statements for the years in question.

1.4. Information relating to 2012

As required by IAS 1, the information relating to 2012 contained in these notes to the consolidated financial statements is presented with the information relating to 2013 for comparison purposes only and, accordingly, it does not constitute the Group's statutory consolidated financial statements for 2012.

In this regard, the information for 2012, which is presented in these financial statements for comparison purposes with that of 2013, was modified with respect to that contained in the 2012 financial statements in order to include, retrospectively, in accordance with applicable legislation, the amendments introduced by IAS 19 in relation to the accounting treatment of the actuarial gains and losses relating to the defined benefit pension obligations (see Note 2.11).

In addition, the format of the consolidated statement of recognised income and expense presented in these financial statements relates to the new format amended by Bank of Spain Circular 5/2013, to which the related comparative information for 2012 has been adapted (see Note 1.12).

1.5. Agency agreements

Neither at 2013 nor 2012 year-end nor at any other time during those years did the Group have any agency agreements in force, as defined in Article 22 of Royal Decree 1245/1995, of 14 July.

1.6. Investments in the share capital of credit institutions

Note 2.1 details the investments held by the Confederación at 31 December 2013 in the share capital of other Spanish and foreign credit institutions, representing 5% or more of their share capital or voting power. These are the only investments held by the Group entities in the share capital of other credit institutions exceeding this percentage.

1.7. Environmental impact

In view of the business activities carried on by the Group, it does not have a significant impact on the environment. Therefore, no provision has been necessary for this concept, and the Group's consolidated financial statements for 2013 do not contain any disclosures on environmental issues.

1.8. Capital management objectives, policies and processes

Bank of Spain Circular 3/2008 ("Circular 3/2008"), of 22th of May, on the calculation and control of minimum capital requirements, and as amended thereafter, regulates the minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated groups– and how to calculate them, as well as the various internal capital adequacy assessment processes the entities should have in place and the information they should disclose to the market in this connection. Bank of Spain Circular 3/2008 adapts Spanish legislation on capital requirements to the Community Directives, which in turn stem from the Basel Capital Accord (Basel II), structured around three core pillars: minimum capital requirements (Pillar I), the internal capital adequacy assessment process (Pillar II) and market disclosures (Pillar III).

Bank of Spain Circular 3/2008 establishes the elements that are eligible for inclusion in capital for the purpose of compliance with the minimum capital requirements set forth therein. Under this Circular, capital must be classified into Tier 1 and Tier 2 capital. The capital calculated for the purposes of capital adequacy regulations differs from the capital calculated in accordance with IFRS-EU, since the Circular considers certain items as capital and establishes the mandatory deduction of certain items from capital which are not considered in accounting standars to be included in capital. In accordance with Bank of Spain Circular 3/2008, capital is managed and calculated at both Group level.

In addition to the requirements of Circular 3/2008, the CECA Group is subject to compliance with the principal capital ratio regulated by Law 9/2012, of 14 November, on restructuring and resolution of credit institutions, which establishes a single principal capital requirement of 9% for 2013. Final Provision Twenty of Law 9/2012 empowers the Bank of Spain to lay down the specific provisions for the due execution of the regime governing minimum principal capital requirements. In this regard, Bank of Spain Circular 7/2012, of 30 November, to credit institutions, on minimum principal capital requirements ("Circular 7/2012") was issued in 2012. Its purpose is the implementation of the aforementioned regime, pursuant to the powers granted to the Bank of Spain. Circular 7/2012 lists the eligible instruments to be included in the definition of principal capital, the manner in which they must be computed and the requirements for their issue. Circular 7/2012 also determines, inter alia, how risk-weighted exposures should be adjusted to ensure that the capital requirement for each risk exposure does not exceed the value of the exposure itself and that there is consistency between the value of the exposures and the components of principal capital.

The strategic capital management objectives set by the Confederación management are as follows:

- To comply, at all times, both at individual and at consolidated level, with the applicable regulations on minimum capital requirements.
- To seek maximum capital management efficiency so that, together with other profitability and risk variables, the use of capital is considered as a key variable in any analysis related to the Group's investment decisions.

In order to meet these objectives, the Group has in place a series of capital management policies and processes, the main cornerstones of which are as follows:

- In the Confederación's strategic and operational planning, as in the track and analysis of the operations in which the Group is the head, the impact of decisions on the Group's eligible capital and the use-profitability-risk relationship is considered to be a key decision-making factor.
- As part of its organizational structure the Group has monitoring and control units which at all times analyzed the level of compliance with the Bank of Spain regulations on capital, with alerts that enabled it to ensure compliance with applicable legislation. Also, as a result of process carried out in 2012 to spin off the assets and liabilities and the performance of its business activities to Cecabank, S.A. (see Note 1.1), all the risk assessment, measurement and control procedures that implement the general risk management principles defined by the Board of the Confederación were defined at Cecabank, S.A. and are applicable to the entire Group.

The Group's management of its capital, as regards conceptual definitions, is in keeping with the Bank of Spain Circulars 3/2008 and 7/2012. In this connection, the Group considers eligible capital in terms of solvency, those established in the aforementioned Circulars.

The minimum capital requirements established by the Bank of Spain's legislation are calculated by reference to the Group's exposure to credit and dilution risk (on the basis of assets, obligations and other memorandum items that present these risks, depending on their amounts, characteristics, counterparties, guarantees, etc.), to counterparty risk and position and settlement risk in the trading book, to foreign exchange and gold position risk (on the basis of the overall net foreign currency position and of the net gold position) and to operational risk. Additionally, the Group is subject to compliance with the risk concentration limits and the requirements concerning internal corporate governance, capital adequacy assessment, interest rate risk measurement and disclosure of information to the market, also established in Circular 3/2008. With a view to guaranteeing compliance with the aforementioned objectives, the Group performs an integrated management of these risks, in accordance with the policies and processes indicated above.

The main figures relating to eligible capital and capital requirements applicable to the Goup in accordance with Bank of Spain Circular 3/2008 and 7/2012 at 31 December 2013 and 2012 are set forth below:

	THOUSANDS OF EUROS			
	2013		2012	
	Bank of Spain's 3/2008 Circular established requirements	Bank of Spain's 7/2012 Circular established requirements	Bank of Spain's 3/2008 Circular established requirements	Bank of Spain's 7/2012 Circular established requirements
Tier 1 capital	751,790	N/A	703,961	N/A
Tier 2 capital	6,715	N/A	8,653	N/A
Total Eligible Capital	**758,505**	**751,790**	**712,614**	**703,961**
Minimum Tier Capital	**239,629**	**269,583**	**304,700**	**342,787**
Capital Surplus	518,876	482,207	407,914	361,174

Tier 1 capital in the above table basically includes the sum of the Group's reserves from retained earnings, participation certificates, non-controlling interests and the portion of consolidated profit for 2013 which the Group companies proposed be allocated to unrestricted reserves, less the balance of the intangible assets owned by the Group.

Tier 2 capital in the above table basically comprises the revaluation reserves relating to tangible assets set up in prior years pursuant to applicable legislation and the percentages established in Circular 3/2008 applied to the carrying amounts of the unrealized gains on available-for-sale financial assets recognized under "Valuation Adjustments" in Group equity and the part of the allowance that is computed as such according to the current legislation.

The eligible capital estimated in accordance with the provisions of Bank of Spain Circular 7/2012 coincides with the items and deductions deemed to be core capital by the Group, except for certain deductions that are not taken into consideration for principal capital calculation purposes, in accordance with applicable legislation.

At 31 December 2013 and 2012 and throughout these years, the Group's eligible capital exceeded the minimum capital requirements under the applicable legislation.

Furthermore, it should be noted that, with effect from 1 January 2014, certain amendments were made to capital adequacy regulations that are applicable to European financial institutions, such as the Confederación and its group. In this regard, Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation in relation to the supervision and capital adequacy of financial institutions, was published in the Official State Gazette on 30 November 2013. This Royal Decree-Law establishes, inter alia, the most urgent measures to adapt the Spanish legal system to the new developments arising from Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and from Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and addresses other urgent reforms. For this purpose, the provisions of the aforementioned EU legislation were included in the aforementioned Royal Decree-Law. Considering the provisions of the aforementioned legislation, which has been completed by the publication by the Bank of Spain Circular 2/2014 of 31 January to regulate the application of certain options contained in Regulation (EU) No 575/2013, which is directly applicable in Spain as from 1 January 2014, and the information currently available to it, the new regulatory amendments on capital adequacy are not expected to have a material impact on the Group in relation to its compliance in 2014.

1.9. Minimum reserve ratio

At 31 December 2013 and 2012, and throughout 2013 and 2012, Cecabank, S.A., the only Group company to which the ratio is applicable, met the minimum reserve ratio required by the applicable legislation.

At 31 December 2013 and 2012 the Group's cash balance with Bank of Spain for these purposes amounted to EUR 350,799 and EUR 419,032 thousands.

1.10. Deposit guarantee fund

2012 saw the publication of Royal Decree-Law 2/2012, of 3 February, on the clean-up of the financial sector, whereby (by virtue of the provisions contained in Royal Decree-Law 19/2011, of 2 December, which amended Royal Decree-Law 16/2011, of 14 October, creating the Deposit Guarantee Fund for Credit Institutions, on the performance of the measures required to restore the balance of the aforementioned Fund to a sufficient level) on 30 July 2012 the Managing Committee of the Deposit Guarantee Fund for Credit Institutions resolved that a supplementary payment was to be made by the entities participating in the Fund, which would be estimated on the basis of their contributions at 31 December 2011 and payable in equal annual installments over the following ten years.

Also, Law 9/2012, of 14 November 2012, on restructuring and resolution of credit institutions was published in 2012. This law requires the Deposit Guarantee Fund, subject to a prior ruling from the Bank of Spain, to reimburse the amounts of guaranteed deposits in the event of failure to repay the deposits when past due and payable, unless the initiation of a process for the resolution of the entity has been agreed upon. In this regard, the Fund may adopt measures to support the resolution of a credit institution, such as granting guarantees, loans or credits, acquiring assets or assuming liabilities, and may manage the institution itself or engage a third party to do so.

Royal Decree-Law 6/2013, of 22 March, on the protection of the holders of certain savings and investment products and other financial measures, was published in 2013, whereby, in order to strengthen the assets of the Deposit Guarantee Fund for Credit Institutions, the annual contribution to be made by the participating entities on deposits at 31 December 2012, provided for in Article 3 of Royal Decree 2606/1996, of 20 December, on deposit guarantee funds of credit institutions, would undergo an exceptional, one-time increase of 3 per mil.

In 2013, the contributions made to this Fund amounted to EUR 138 thousand (2012: EUR 241 thousand), and the related expense was recognized under "Other Operating Expenses" in the accompanying consolidated income statement for 2013 and 2012 (see Note 40). Furthermore, in early January, the Group paid the related extraordinary contribution requested on an exceptional basis by the aforementioned body in 2013 in accordance with Royal Decree-Law 6/2013, the amount of which was not material and formed part of the aforementioned expense incurred in 2013 amounting to EUR 138 thousand.

1.11. Changes in accounting policies

In 2013 there were no significant in the accounting policies applied by the Group in the consolidated financial statements in 2012 in addition to those indicated in Note 2.11 as a result of the introduction of changes in the legislation applicable to the Group in relation to the recognition of actuarial gains and losses in defined benefit post-employment obligations.

In this regard, the changes arising from the retrospective application of the accounting method for actuarial gains and losses in defined benefit post-employment obligations applied for the first time in 2013 (described in Note 2.11) did not have a material effect on the consolidated balance sheet at 1 January 2012. Accordingly, in accordance with the applicable standards, a comparative balance sheet at that date is not presented in these consolidated financial statements.

1.12. Main regulatory changes during the period from 1 January to 31 December 2013

1.12.1. New Bank of Spain's Circulars

Bank of Spain Circular 1/2013 of 24 May, which modifies Bank of Spain Circular 4/2004, of 22 December, to credit institutions about public and confidential financial information standards and Financial Statements samples.

In addition to the amendments in relation to the reporting to the Bank of Spain Risk Information Centre, Bank of Spain Circular 1/2013 introduces certain amendments to the statements of Bank of Spain Circular 4/2004, in order for the financial institutions to provide the information required to prepare the balance of payments statistics, to include one new confidential statement with data on the cost of the funding raised in the month relating to businesses in Spain and another with information on the delivery of homes foreclosed or received in payment of debt in relation to home purchase loans, and to standardise the content of the minimum segmentation structure in the database and of the special accounting register for mortgage loans. The entry into force of this legislation did not have a material impact on the Group.

Bank of Spain Circular 5/2013, of 30 October, amending Circular 4/2004, of 22 December, on public and confidential financial reporting rules and formats, and Circular 1/2013, of 24 May, on the Risk Information Centre.

Bank of Spain Circular 5/2013 was published on 9 November 2013. Its main objective is to adapt the Spanish accounting framework to the latest amendments to the International Financial Reporting Standards.

The main new developments introduced by Circular 5/2013 are as follows:

a) In the area of consolidation, the most significant amendments relate to the changes in the definition of control and in the elements that should be taken into consideration to determine whether an entity should be deemed to be a group subsidiary. In public consolidated financial statements, the possibility of applying the proportionate consolidation method to jointly controlled entities was eliminated and, therefore, they must be accounted for using the equity method in all cases. These amendments apply to financial statements prepared as of January 1, 2014.

b) Certain circumstances are recognised in which the fair value of certain quoted instruments is not their market price, because their market price does not represent their fair value in certain cases such as, for example, significant events occurring after market close or legal restrictions placed on the sale of an asset. In addition, the Circular establishes the criterion for recognising the differences between fair value and transaction price on initial recognition of the financial instruments whereby, for financial instruments included in levels 1 and 2 (for the purposes of the fair value hierarchy), these differences are recognised in the income statement, while for financial instruments included in level 3, they are recognised as an adjustment to initial fair value and they are allocated throughout the life of these instruments.

c) The fundamental changes with regard to defined benefit pension obligations are as follows:

- The Circular eliminates the possibility of using a "corridor" in the recognition of actuarial gains and losses for defined benefit pension obligations; as from the entry into force of the amendment, all actuarial gains and losses will be recognised immediately in the statement of recognised income and expense with a charge or credit to the entities' consolidated equity.

- There are also significant changes in the presentation of the components of the cost associated with pension obligations in the financial statements. Three different items must be presented: service cost, net interest and the remeasurement component.

In addition, the amendment includes an extension and changes to the reporting requirements in the notes to the financial statements with regard to defined benefit obligations (see Note 2.11, which details the impact of the application of this rule on the Group, and Note 38).

d) New requirements are included with regard to disclosures to be made on the transparency of financial assets and offsetting.

e) It includes certain amendments to Bank of Spain Circular 1/2013, of 24 May, on the Risk Information Centre, whereby certain information is required from the entities on the financing granted to small businesses and micro-businesses and on the collateral received by the entities for the purpose of the related weighting when estimating the regulatory capital requirement. Furthermore, the deadline is extended for submitting initial data to the new Risk Information Centre.

f) The format of the statement of recognised income and expense is amended (see Note 2.19).

1.12.2 IAS Adoption and Amendments.

During 2013, the following Standards, adopted by the European Union, came into force , which are applicable to the Group considering its activity:

- Amendments to IAS 1, Presentation of Items of Other Comprehensive Income - the amendments require items to be classified into items that will be reclassified (recycled) to profit or loss in subsequent periods and items that will not be reclassified The consolidated statement of recognised income and expense presented in these consolidated financial statements includes this separation.
- Amendments to IAS 19, Employee Benefits - these amendments eliminate the corridor under which until 1 January 2013 entities were permitted to opt not to recognise at the end of the reporting period a certain portion of the actuarial gains and losses disclosed on measurement of the pension obligations and to defer said recognition. When these amendments come into effect, all actuarial gains and losses are recognised immediately. The amendments also include significant changes in the presentation of cost components, as a result of which the service cost relating to post-employment benefit obligations (past service cost and plan curtailments and settlements) and net interest cost will be recognised in profit or loss and the measurement component (comprising basically actuarial gains and losses) will be recognised in Equity - Valuation adjustments and may not be reclassified to profit or loss (see Note 2.11).
- IFRS 13, Fair Value Measurement - this IFRS replaces the previous rules concerning fair value contained in various standards with a single standard. It does not modify the criteria set out in other standards for measuring assets and liabilities at fair value, but rather contains more extensive guidance about how fair value should be determined. IFRS 13 is applicable to the measurement of both financial and non-financial items and it introduces new disclosure requirements.
- Amendments to IFRS 7, Offsetting Financial Assets and Financial Liabilities - these amendments introduce new disclosures to be included in the annual financial information for financial assets and financial liabilities that are presented net in the balance sheet and for other instruments subject to an enforceable netting arrangement.
- Amendments to IAS 12, Income Taxes - Deferred Taxes Arising from Investment Property. The change introduces an exception to the general principles of IAS 12 which affects deferred taxes arising from investment property, measured using the fair value model in IAS 40, Investment Property. In these cases, there is now a rebuttable presumption in relation to the measurement of any deferred tax asset or deferred tax liability that the carrying amount of the investment property will be recovered through sale. This presumption is rebutted if the investment property is depreciable (which would exclude the non-depreciable component of land) and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale.

- Improvements to IFRSs, 2009-2011 cycle: minor amendments to a series of standards (IAS 1, IAS 16, IAS 32 and IAS 34)

The application of the aforementioned accounting standards and interpretations did not have any material effects on the Group's financial statements, except for the impact of the amendments to IAS 19, as detailed in Note 2.11.

Also, at the date of preparation of these consolidated financial statements, the following standards were in force whose effective dates were subsequent to 31 December 2013 and, accordingly, they had not been applied in the preparation of these consolidated financial statements:

- Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (obligatory for reporting periods beginning on or after 1 January 2014, early application permitted) - these amendments introduce a series of additional clarifications on the requirements established by the standard for an entity to be able to offset a financial asset and a financial liability, indicating that they can only be offset when an entity currently has a legally enforceable right to set off the recognised amounts and this does not depend on the occurrence of future events.
- Amendments to IAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (obligatory for reporting periods beginning on or after 1 January 2014, early application permitted) - these amendments eliminate the requirement to present certain disclosures on the recoverable amount of each cash-generating unit and introduce the obligation to disclose information on the recoverable amount of assets in relation to which an impairment loss was recognised or reversed in the year.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (obligatory for reporting periods beginning on or after 1 January 2014, early application permitted) - these amendments introduce an exception to the application of the discontinuation of hedge accounting for novations in which, as a consequence of laws or regulations, the original counterparty of the hedging instrument is replaced by one or more central counterparties, such as clearing agencies, provided that other changes to the hedging instrument are limited to those that are necessary to effect such a replacement of the counterparty.
- IFRS 10, Consolidated Financial Statements - this standard supersedes the previous IAS 27 and SIC 12, and introduces a single control-based consolidation model, irrespective of the nature of the investee. IFRS 10 modifies the previous definition of control. The new definition of control sets out the following three elements of control: power over the investee;

exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. This standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2014.

- IFRS 11, Joint Arrangements - this standard supersedes the previous IAS 31. The fundamental change introduced by IFRS 11 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which will begin to be accounted for, mandatorily, using the equity method. This standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2014.

- IFRS 12, Disclosure of Interests in Other Entities - this standard represents a single standard presenting the disclosure requirements for interests in other entities (whether they be subsidiaries, associates, joint arrangements or other interests) and includes new disclosure requirements. The objective of this standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of its interests in other entities (control), the possible restrictions on its ability to access or use assets and settle liabilities, the risks associated with its interests in unconsolidated structured entities, etc. This standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2014.

- Amendments to IAS 27 and IAS 28 (revised) - these amendments reflect the changes arising from the new IFRS 10 and IFRS 11 described above. This standard is mandatorily applicable for annual reporting periods for years beginning on or after 1 January 2014.

Lastly, at the date of preparation of these consolidated financial statements, the following standards and interpretations which effectively come into force after 31 December 2013 had not yet been adopted by the European Union and, accordingly, they had not been applied in the preparation of these consolidated financial statements:

- IFRS 9, Financial Instruments: Classification and Measurement and Hedge Accounting (without a defined mandatory effective date), which will in the future replace the part of the current IAS 39 relating to the classification and measurement of financial assets and hedge accounting. IFRS 9 presents significant differences regarding financial assets with respect to the current standard, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current Held-to-maturity investments and Available-for-sale financial assets categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial contracts. The main change introduced with regard to financial liabilities applies only to liabilities that an entity elects to measure at fair value. The portion of the change in the fair value of these liabilities attributable to changes in the entity's own credit risk must be presented in "Valuation Adjustments" instead of in profit or loss. In relation to hedge accounting, the new model attempts to align the accounting rules with risk management. The three types of hedge accounting under the current standard are maintained (cash flow hedges, fair value hedges and hedges of net investments in foreign operations). However, there are very significant changes with respect to IAS 39 in several areas such as hedged items, hedging instruments, accounting for the time value of options and effectiveness assessment.

- Amendments to IAS 19, Employee Benefits: Defined Benefit Plans - Employee Contributions - these amendments allow employee contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met, without the need to make calculations to attribute the reduction to each year of service.

- IFRIC 21, Levies (obligatory for reporting periods beginning on or after 1 January 2014, early application permitted) - provides clarifying guidance on when to recognise a liability to pay a levy that is accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and on obligations to pay a levy whose timing and amount is certain. The obligation to pay is recognised when the activity that triggers the payment of the levy occurs.

- Improvements to IFRSs, 2010-2012 cycle (obligatory for reporting periods beginning on or after 1 July 2014) - these improvements introduce minor amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Improvements to IFRSs, 2011-2013 cycle (obligatory for reporting periods beginning on or after 1 July 2014) - these improvements introduce minor amendments to IFRS 3, IFRS 13 and IAS 40.

The Group is currently analysing the possible effects of these new standards, both those adopted by the European Union and those not yet approved.

All accounting policies and measurement bases with a material effect on the 2013 consolidated financial statements were applied in their preparation.

2. Accounting policies and measurement bases

The accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2013 were as follows:

2.1. Investments

2.1.1. Subsidiaries

"Subsidiaries" are defined as entities over which the Group has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Confederación owns directly or indirectly half or more of the voting power of the investee or, even if this percentage is lower or zero, when there are other circumstances or agreements that give the Confederación control.

In accordance with applicable regulation, control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

At 31 December 2013, in accordance with the aforementioned bases, the Group considered Cecabank, S.A. in which it held a 89% as a result of the spin-off process undergone by the Confederación in 2012 (see Note 1.1), and CEA Trade Services Limited, a wholly-owned investee. Appendix I to these notes to the consolidated financial statements contains relevant information on these companies.

The financial statements of the subsidiaries are consolidated with those of the Group using the full consolidation method as defined in the applicable regulations to the Group at 31 december 2013 (see Note 1.12.2). Accordingly, all material balances of the transactions between consolidated entities are eliminated on consolidation.

2.1.2. Jointly controlled entities

"Jointly controlled entities" are deemed to be ventures that are not subsidiaries but which are jointly controlled by the Confederación and by one or more other entities, either individually or in conjunction with the other entities of the group to which they belong.

The financial statements of investees classified as jointly controlled entities are proportionately consolidated with those of the Confederación, as stipulated in the current regulations at 31 december 2013. Therefore, the aggregation of balances in the consolidated balance sheet and consolidated income statement and subsequent eliminations of the balances and effects of intra-Group transactions are only made in proportion to the Group's ownership interest in the capital of these entities.

At 31 December 2013 and 2012, in accordance with the aforementioned rules, only "Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.", in which the Group owned a 50% holding in 2013 and 2012, was considered to be a jointly controlled entity. Appendix II to these notes to the consolidated financial statements contains significant information on this entity.

2.1.3. Associates

"Associates" are defined as companies over which the Confederación is in a position to exercise significant influence, but not control or joint control. Significant influence generally exists when the Confederación holds - directly or indirectly - 20% or more of the voting power of the investee.

In general, investments in associates are accounted for using the equity method, as defined in the applicable regulations. However, investments in associates that qualify for classification as non-current assets held for sale are recognized under "Non-Current Assets Held for Sale - Equity Instruments" in the consolidated balance sheet and are measured in accordance with the policies applicable to these assets (see Note 2.17).

At 31 December 2013 and 2012, in accordance with the aforementioned criteria, the Confederación did not hold any ownership interests in companies considered to be associates.

At 31 December 2013 and 2012, the Group owned 20% of the share capital of Tevea International, S.A. (formerly, Euro - Tevea S.A.). This investee was neither at 2012 nor 2013 year-end classified as an associate, as although the Group owns more than 20% of its voting rights, it does not exercise significant influence over it. Therefore, this investment is recognized in these consolidated financial statements under "Available – for - Sale Financial Assets - Equity Instruments" in the consolidated balance sheet at that date and is measured at cost in accordance with the criteria explained in Note 2.2.4, which amounted to EUR 100 thousand at 31 December 2013. If these companies had been accounted for using the equity method, their amount would not in any event have been material.

At 31 December 2013 and 2012, the Group held 22.49% of the share capital of Eufiserv Payments, S.C.R.L. This investee was not considered to be an associate at 31 December 2013 or 2012 since, although the Confederación owns 22.49% of its voting power, it does not exercise significant influence over it. As a result, this investment is recognised in these consolidated financial statements under "Available-for-Sale Financial Assets - Equity Instruments" in the consolidated balance sheet at those dates and is measured at cost (amounting to EUR 18 thousand at 31 December 2013) , in accordance with the criteria explained in Note 2.2.4. If these companies had been accounted for using the equity method, their amount would not in any event have been material.

2.2. Financial instruments - Initial recognition, derecognition, definitions of fair value and amortized cost and classification categories and measurement of financial assets and liabilities

2.2.1. Initial recognition of financial instruments

Financial instruments are initially recognized in the consolidated balance sheet when the Group becomes a party to the contract originating them in accordance with the terms and conditions thereof. Specifically, debt instruments, such as loans and cash deposits, are recognized from the date on which the legal right to receive or the legal obligation to pay cash arises. Derivative financial instruments are generally recognized from the trade date.

A regular way purchase or sale of financial assets, defined as one in which the parties' reciprocal obligations must be discharged within a time frame established by regulation or convention in the marketplace and that may not be settled net, such as stock market and forward currency purchase and sale contracts, is recognized on the date from which the rewards, risks, rights and duties attaching to all owners are for the purchaser, which, depending on the type of financial asset purchased or sold, may be the trade date or the settlement or delivery date. In particular, transactions performed in the spot currency market are recognized on the settlement date; equity instruments traded in Spanish secondary securities markets are recognized on the trade date and debt instruments traded in these markets are recognized on the settlement date.

2.2.2. Derecognition of financial instruments

A financial asset is derecognized when:

- The contractual rights to the cash flows from the financial asset expire; or
- The financial asset is transferred and substantially all its risks and rewards are transferred or, although these are not substantially transferred or retained, control over the financial asset is transferred (see Note 2.8).

Also, a financial liability is derecognized when the obligations it generates have been extinguished or when it is purchased by the Group, with the intention either to re-sell it or to cancel it.

2.2.3. Fair value and amortized cost of financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organized, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading which are traded in organized, transparent and deep markets is deemed, in case of existence, to be their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organized markets is taken, in case of existence, to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognized by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortized cost is understood to be the acquisition cost of a financial asset or liability plus or minus, as appropriate, the principal and interest repayments and the cumulative amortization (taken to the income statement), calculated using the effective interest method, of the difference between the initial cost and the maturity amount of such financial instruments. In the case of financial assets, amortized cost furthermore includes any reductions for impairment.

The effective interest rate is the discount rate that exactly matches the initial amount of a financial instrument to the present value of all its estimated cash flows of all kinds during its remaining life, disregarding future losses from credit risk. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition or arrangement date adjusted, where applicable, for the fees, premiums, discounts and transaction costs that, pursuant to the Circular 4/2004,must be included in the calculation of the effective interest rate. In the case of floating rate financial instruments, the effective interest rate is determined using a method similar to that for fixed rate transactions and is recalculated on each contractual interest reset date, taking into account any changes in the future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

Financial instruments are classified in the Group's consolidated balance sheet as follows:

- **Financial assets and liabilities at fair value through profit or loss:** pursuant to current legislation, this category includes financial instruments classified as held for trading and other financial assets and liabilities classified at fair value through profit or loss:

  - **Financial assets held for trading** include those acquired for the purpose of selling them in the near term or those which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking and derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to the applicable standards.

  - **Financial liabilities held for trading** include those that have been issued with an intention to repurchase them in the near term or that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking; short positions arising from sales of financial assets acquired under non-optional resale agreements or borrowed securities, and financial derivatives not designated as hedging instruments, including those separated from hybrid financial instruments pursuant to the applicable standards.

  - **Other financial assets at fair value through profit or loss** are financial assets designated as such from their initial recognition, whose fair value may be estimated reliably and that meet any of the following requirements:

    > In the case of **hybrid financial instruments** for which it is compulsory to separate the embedded derivative(s) from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.

    > In the case of **hybrid financial instruments** for which it is mandatory to separate the embedded derivative(s), the Group elected from their initial recognition to classify the entire hybrid financial instrument under this category, since the requirements established by current regulations were met in the sense that the embedded derivative(s) significantly alter the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that there is an obligation to separate for accounting purposes the embedded derivative(s) from the host contract.

> As a result of classifying a financial asset in this category, **more relevant information is obtained** because such designation eliminates or significantly reduces inconsistencies in recognition or measurement (also known as accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognizing the related gains or losses on different bases or because the gain value basis reflects management's investment management or assessment strategy, as established in the applicable regulations. Note 8 contains details on the financial instruments classified in this category.

- **Other financial liabilities at fair value through profit or loss** are financial liabilities designated as such from their initial recognition, whose fair value may be estimated reliably and that meet any of the following requirements:

> In the case of **hybrid financial instruments** for which it is compulsory to separate the embedded derivative(s) from the host contract, the fair value of the embedded derivative(s) cannot be estimated reliably.

> In the case of **hybrid financial instruments** for which it is mandatory to separate the embedded derivative(s), the Group elected from their initial recognition, to classify the entire hybrid financial instrument under this category, since the requirements established by current regulations were met in the sense that the embedded derivative(s) significantly alter the cash flows that the host contract would have had if it had been considered separately from the embedded derivative(s) and that there is an obligation to separate for accounting purposes the embedded derivative(s) from the host contract.

> As a result of classifying a financial liability in this category, **more relevant information is obtained** because such designation eliminates or significantly reduces inconsistencies in recognition or measurement (also known as accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognizing the related gains or losses on different bases or because the fair value basis reflects management's investment management or assessment strategy, as established in the applicable regulations. Note 8 contains details on the financial instruments classified in this category.

Only financial instruments which, from their initial recognition, would have been classified as financial assets and liabilities at fair value through profit or loss are included in this category.

Financial instruments at fair value through profit or loss are initially measured at fair value. Subsequent to acquisition, financial instruments classified in this category continue to be measured at fair value at the reporting date and any changes in the fair value are recognized under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement, except for the fair value changes due to accrued returns on financial instruments other than trading derivatives, which are recognized under "Interest and Similar Income", "Interest Expense and Similar Charges" or "Income from Equity Instruments" in the consolidated income statement, depending on their nature and the changes in fair value of derivatives whose underlying is the foreign currency exchange rate variable, whose changes in fair value are due to this variable are recognised under "Exchange Differences (Net)" in the consolidated income statement. The accrued returns on debt instruments included in this category are calculated using the effective interest method.

Notwithstanding the foregoing, financial derivatives that have as their underlyings equity instruments whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments are measured, where appropriate, at cost.

- Loans and receivables: pursuant to current legislation, this category includes unquoted debt instruments, financing granted to third parties in connection with ordinary lending activities carried out by the Group (other than those classified at fair value through profit or loss) and receivables from users of services.

  The financial assets included in this category are initially measured at fair value adjusted by the amount of the fees and commissions and transaction costs that are directly attributable to the acquisition or arrangement of the financial asset and which, in accordance with IAS 39, must be allocated to the consolidated income statement by the effective interest method through maturity. Subsequent to acquisition, assets included in this category are measured at amortized cost.

  Assets acquired at a discount are measured at the cash amount paid and the difference between their repayment value and the amount paid is recognized as finance income using the effective interest method during the remaining term to maturity.

The Group generally intends to hold the loans and credits included in this category granted by it until their final maturity and, therefore, they are presented in the consolidated balance sheet at their amortized cost.

The interest accrued on these assets, which is calculated using the effective interest method, is recognized under "Interest and Similar Income" in the consolidated income statement. Exchange differences on assets included in this portfolio denominated in currencies other than the euro are recognized as set forth in Note 2.5. Any impairment losses on these assets are recognized as explained in Note 2.9.

- Available-for-sale financial assets: this category includes debt instruments not classified as held-to-maturity investments, as loans and receivables or as financial assets at fair value through profit or loss and equity instruments owned by the Group relating to entities other than subsidiaries, jointly controlled entities or associates that are not classified at fair value through profit or loss.

The instruments included in this category are initially recognized at fair value adjusted by the amount of the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognized in the consolidated income statement by the effective interest method, except for those relating to financial assets with no fixed maturity, which are recognized in the consolidated income statement when the assets become impaired or are derecognized. Subsequent to acquisition, financial assets included in this category are measured at fair value at each reporting date.

However, equity instruments whose fair value cannot be determined in a sufficiently objective manner are measured in these consolidated financial statements at cost, net of any impairment loss, calculated as detailed in Note 2.9.

Changes in the fair value of available-for-sale financial assets relating to accrued interest or dividends are recognized under "Interest and Similar Income" (calculated using the effective interest method) and "Income from Equity Instruments" in the consolidated income statement, respectively. Any impairment losses on these instruments are recognized as described in Note 2.9. Exchange differences on financial assets denominated in currencies other than the euro are recognized as explained in Note 2.5.

Other changes in the fair value of available-for-sale financial assets from the acquisition date are recognized in equity under "Valuation Adjustments -Available-for-Sale Financial Assets" until the financial asset is derecognized, when the balance recorded under this item is recognized under "Gains/Losses on Financial Assets and Liabilities (net)" in the consolidated income statement, or in the case of equity instruments considered to be strategic investments for the Group, they are recognized under "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations".

- Held-to-maturity investments: pursuant to current legislation, this category includes, in case of existence, debt instruments traded on organized markets with fixed maturity and with fixed or determinable cash flows that, from inception and at any subsequent date, are held with the positive intention and financial ability to hold to maturity.

  Debt instruments included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the acquisition of the financial asset, which are recognized in the consolidated income statement by the effective interest method as defined in IAS 39. They are subsequently measured at amortized cost calculated using the effective interest method.

  The interest accrued on these securities, which is calculated using the effective interest method, is recognized under "Interest and Similar Income" in the consolidated income statement. Exchange differences on assets included in this portfolio denominated in currencies other than the euro are recognized as set forth in Note 2.5. Any impairment losses on these securities are recognized as explained in Note 2.9.

  At 31 December 2013 and 2012 and throughout those years the Group did not have any financial instruments classified in this category.

- Financial liabilities at amortized cost: this category includes the Group's financial liabilities not included in any other category.

  The financial liabilities included in this category are initially measured at fair value adjusted by the amount of the transaction costs that are directly attributable to the issue or arrangement of the financial liability, which are recognized in the consolidated income statement by the effective interest method (as defined by IAS 39) through maturity. Subsequently, these financial liabilities are measured at amortized cost calculated using the effective interest method as defined in IAS 39.

  The interest accrued on these securities, which is calculated using the effective interest method, is recognized under "Interest Expense and Similar Charges" in the consolidated income statement. Exchange differences on securities included in this category denominated in currencies other than the euro are recognized as set forth in Note 2.5.

2.3. Reclassification between financial instrument portfolios

Reclassifications between financial instrument portfolios can only be made, where appropriate, as follows:

a) Except in the circumstances indicated in paragraph d) below, financial instruments classified as "at fair value through profit or loss" cannot be reclassified into or out of this financial instrument category once they have been acquired, issued or assumed.

b) If, as a result of a change in intention or financial ability of an entity, it is no longer appropriate to classify a financial asset as held to maturity, it is reclassified into the "available-for-sale financial assets" category. In this case, the same treatment shall be applied to all the financial instruments classified as held-to-maturity investments, unless the reclassification is made in any of the circumstances permitted under the applicable regulations (sales very close to maturity, substantially all of the financial asset's original principal has been collected, etc.).

   In 2013 and 2012, the Group did not hold any securities classified as held-to-maturity investments and, therefore, it did not perform any reclassifications of the type described in the preceding paragraph.

c) If there is a change in the Group's intention or financial ability, or if the two penalty financial years established by the regulations applicable to the sale of financial assets classified in the held-to-maturity investment category (see paragraph b) above) have passed, the financial assets (debt instruments) included in the "available-for-sale financial assets" category can be reclassified into the "held-to-maturity investments" category. In this case, the fair value of these financial instruments on the date of reclassification becomes their new amortized cost and the difference between this amount and the redemption value is allocated to the consolidated income statement over the remaining life of the instrument using the effective interest method.

   No reclassifications of the type described in the preceding paragraph were made in 2013 or 2012.

d) In accordance with the amendments to IAS 39 introduced in 2008 and adopted by the European Union, a non-derivative financial asset may be reclassified out of the held-for-trading category if it is no longer held for the purpose of selling or repurchasing it in the near term, provided that one of the following circumstances occurs:

   a. In rare or exceptional circumstances, unless the assets could have been included in the loans and receivables category. For these purposes, rare and exceptional circumstances are those arising from a particular event, which is unusual and highly unlikely to recur in the foreseeable future.

b. When the entity has the intention and financial ability to hold the financial asset for the foreseeable future or until maturity, provided that the asset had met the definition of loans and receivables at initial recognition.

In these circumstances, the financial asset is reclassified at its fair value on the date of reclassification, any gain or loss already recognized in profit or loss is not reversed, and this fair value becomes its amortized cost. The financial assets so reclassified can in no case be reclassified again into the held-for-trading category.

No reclassifications of the type described in the preceding paragraph were made during 2013 and 2012.

2.4. Hedge accounting and mitigation of risk

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign currency and other risks. When these transactions meet the requirements stipulated in IAS 39, they qualify for hedge accounting.

When the Group designates a transaction as a hedge it does so upon initial recognition of it, documenting it appropriately. The hedge accounting documentation includes identification of the hedged item(s) and the hedging instrument(s), the nature of the risk to be hedged and the criteria or methods used by the Group to assess the effectiveness of the hedge over its entire life, taking into account the risk to be hedged.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A hedge is considered to be highly effective if, during its expected life, the changes in fair value or cash flows of the hedged item that are attributable to the risk hedged in the hedging of the financial instrument(s) are almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument(s).

To measure the effectiveness of hedges defined as such, the Group analyses whether, from the beginning to the end of the term defined for the hedge, the Group can expect, prospectively, that the changes in fair value or cash flows of the hedged item that are attributable to the hedged risk will be almost fully offset by changes in the fair value or cash flows, as appropriate, of the hedging instrument and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item.

Hedging transactions performed by the Group are classified in the following categories:

- **Fair value hedges:** hedge the exposure to changes in fair value of financial assets or liabilities or unrecognized firm commitments, or of an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated income statement.

- **Cash flow hedges:** hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a financial asset or liability or a highly probable forecast transaction, provided that it affects the consolidated income statement.

In relation to financial instruments designated as hedged items or qualifying for hedge accounting, gains and losses are recognized as follows:

- In **fair value hedges**, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading “Net gains (losses) on financial assets and liabilities” in the consolidated income statement (see Note 36).

- In **cash flow hedges**, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognized temporarily in equity under “Valuation Adjustments - Cash Flow Hedges” (see Note 19.2) and are taken to the consolidated income statement in the years in which the designated hedged items affect the income statement. Financial instruments hedged in this type of hedging transactions are recognized as explained in Note 2.2, with no change being made in the recognition criteria due to their consideration as hedged items.

Generally, in cash flow hedges, the gains or losses arising on the effective portion of the hedging instruments are not recognized in the income statement until the gains or losses on the hedged item are recognized in income or, in the case of a hedge relating to a highly probable forecast transaction that results in the recognition of a non-financial asset or liability, they are recognized as part of the acquisition or issue cost when the asset is acquired or the liability assumed. In cash flow hedges, any gains or losses on the ineffective portion of the hedging instruments are recognized directly under “Gains/Losses on Financial Assets and Liabilities (Net)” in the consolidated income statement. In 2013 and 2012 no amounts were recognized in the consolidated income statements in relation to ineffective hedges.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer meets the requirements for hedge accounting or the designation as a hedge is revoked.

When, as explained in the preceding paragraph, hedge accounting is discontinued for a fair value hedge, in the case of hedged items carried at amortized cost, the value adjustments made as a result of the hedge accounting described above are recognized in the consolidated income statement through maturity of the hedged items, using the effective interest rate recalculated as at the date of discontinuation of hedge accounting.

If hedge accounting is discontinued for a cash flow hedge, the cumulative gain or loss on the hedging instrument recognized in “Equity - Valuation Adjustments” in the consolidated balance sheet shall continue to be recognized under this line item until the forecast transaction occurs, when it will be reclassified into the income statement; or it will adjust the acquisition cost of the asset or liability to be recorded, if the hedged item is a forecast transaction that results in the recognition of a non-financial asset or liability.

Note 11 details the nature of the main positions hedged by the Group and the financial hedging instruments used.

2.5. Foreign currency transactions

2.5.1. Functional currency

The functional and reporting currency of the Group is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

The detail, by currency and item, of the equivalent value in thousands of euros of the main asset and liability balances denominated in foreign currencies in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

Nature of Foreign Currency Balances:	Equivalent Value in Thousands of Euros (*)			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Balances in US dollars-				
Cash and balances with central banks	13,366	-	16,597	-
Financial assets and liabilities held for trading	3,323	17,609	6,369	29,504
Loans and receivables	70,806	-	22,533	-
Financial liabilities at amortized cost	-	208,998	-	167,440
Other	392	392	409	409
	87,887	226,999	45,908	197,353
Balances in Japanese yen-				
Cash and balances with central banks	302	-	457	-
Loans and receivables	16,014	-	5,174	-
Financial liabilities at amortized cost	-	32,745	-	14,079
	16,316	32,745	5,631	14,079
Balances in pounds sterling-				
Cash and balances with central banks	13,419	-	11,225	-
Financial assets and liabilities held for trading	2,268	964	3,204	1,512
Available-for-sale financial assets	-	-	-	-
Loans and receivables	25,713	-	26,895	-
Financial liabilities at amortized cost	-	25,522	-	59,503
Other	112	185	118	192
	41,512	26,671	41,442	61,207
Balances in Swiss francs-				
Cash and balances with central banks	2,611	-	1,888	-
Loans and receivables	5,670	-	5,440	-
Financial liabilities at amortized cost	-	14,549	-	16,784
	8,281	14,549	7,328	16,784
Balances in Norwegian krone-				
Cash and balances with central banks	856	-	891	-
Loans and receivables	435	-	4,722	-
Financial liabilities at amortized cost	-	3,172	-	5,306
	1,291	3,172	5,613	5,306

Balances in Swedish krone-				
Cash and balances with central banks	396	-	593	-
Loans and receivables	843	-	3,151	-
Financial liabilities at amortized cost	-	3,206	-	3,692
	1,239	3,206	3,744	3,692
Balances in other currencies-				
Cash and balances with central banks	5,538	-	6,472	-
Loans and receivables	13,778	-	17,483	-
Financial liabilities at amortized cost	-	24,543	-	22,122
Other	-	-	91	-
	19,316	24,543	24,046	22,122
Total balances denominated in foreign currencies	175,842	331,885	133,712	320,543

(*) Equivalent value calculated by applying the exchange rates at 31 December 2013 and 2012, respectively.

In addition to the currency positions recognized in the consolidated balance sheets at 31 December 2013 and 2012 shown in the preceding table, the Group recognized various currency derivatives and forward foreign currency contracts which are used to manage the exchange rate risk to which it is exposed and which should be considered together with the balance sheet positions for a correct understanding of the Group's exposure to such risks (see Note 25).

2.5.2. Translation of foreign currency balances

Foreign currency balances are translated to euros in two consecutive stages:

- Translation of foreign currency to the functional currency of each of the Group entities and joint ventures.
- Translation to euros of the balances of consolidated companies whose reporting currency is not the euro.

Translation of foreign currency to the functional currency: foreign currency transactions performed by Group companies are initially recognized in the financial statements at the equivalent value in their functional currencies, translated using the exchange rates prevailing at the transaction date. Subsequently, the following rules are applied:

1. Monetary assets and liabilities are translated at the closing rate, which is taken to be the average spot exchange rate at the date of the financial statements.
2. Non-monetary items measured at historical cost are translated to the functional currency at the exchange rate at the date of acquisition.

3. Non-monetary items measured at fair value are translated to the functional currency at the exchange rate at the date when the fair value was determined.

4. Income and expenses are translated at the exchange rate prevailing at the transaction date.

Entities whose reporting currency is not the euro: the balances in the financial statements of consolidated entities whose functional currency is not the euro are translated to euros as follows:

1. Assets and liabilities, at the closing rates.

2. Income and expenses and cash flows, at the average exchange rate for the year.

3. Equity items, at the historical exchange rates.

2.5.3. Exchange rates

The exchange rates used by the Group in translating the foreign currency balances to euros for the purpose of preparing the consolidated financial statements, taking into account the methods mentioned above, were those published by the European Central Bank.

2.5.4. Recognition of exchange differences

The exchange differences arising on the translation of foreign currency balances (using the aforementioned translation methods) to the functional currency of the Group are generally recognized at their net amount under “Exchange Differences (net)” in the consolidated income statement.

However, exchange differences arising on non-monetary items measured at fair value through equity and exchange differences arising on the translation to euros of the financial statements of consolidated entities which are not denominated in euros are recognized in consolidated equity under “Valuation Adjustments - Exchange Differences” in the consolidated balance sheet until they are realized. Exchange differences recognized in consolidated equity are taken to the consolidated income statement when realized.

2.6. Recognition of income and expenses

The most significant accounting criteria used by the Group to recognize its income and expenses are summarized as follows:

2.6.1. Interest income, interest expenses, dividends and similar items

Interest income, interest expenses, dividends and similar items are generally recognized on an accrual basis using the effective interest method. Dividends received from other companies, other than those received from Group companies, jointly controlled entities or associates, as the case may be, are recognized as income when the Group's right to receive them arises.

2.6.2. Commissions, fees and similar items

Fee and commission income and expenses that are not to be included in the calculation of the effective interest rate of transactions and/or are not included in the acquisition cost of financial assets or liabilities other than those classified as at fair value through profit or loss are recognized in the consolidated income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to the acquisition of financial assets and liabilities measured at fair value through profit or loss are recognized, in case of existence, in the consolidated income statement when collected or paid.
- Those arising from transactions or services that are performed over a period of time, such as fees and commissions arising from custody services, are recognized in the consolidated income statement over the life of these transactions or services.
- Those relating to services provided in a single act are recognized in the consolidated income statement when the single act is carried out.

2.6.3. Non-finance income and expenses

These are recognized for accounting purposes on an accrual basis.

2.6.4. Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.7. Offsetting

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Group intends to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

In this regard, the presentation required by the applicable legislation in these consolidated financial statements in respect of the financial assets subject to valuation adjustments for decline in value or impairment, i.e. net of these adjustments, is not deemed to be "offsetting".

2.8. Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of the transferred assets to third parties -unconditional sale of financial assets, sale of financial assets with a repurchase agreement at its fair value at the repurchase date, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitization of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to new holders and other similar cases-, the transferred financial asset is derecognized and any rights or obligations retained or created in the transfer are recognized simultaneously.
- If the Group retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, securitization of financial assets in which a subordinated debt or another type of credit enhancement is retained that absorbs substantially all the expected credit losses on the securitized assets, and other similar cases-, the transferred financial asset is not derecognized and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognized, without offsetting:

  - An associated financial liability, for an amount equal to the consideration received; this liability is subsequently measured at amortized cost, or, if the aforementioned requirements for classification of other financial liabilities at fair value through profit or loss are met, at fair value, in accordance with the aforementioned criteria for this type of financial liability (see Note 2.2.4).

- The income from the transferred financial asset not derecognized and any expense incurred on the new financial liability.

- If the Group neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitization of financial assets in which the transferor retains a subordinated debt or another type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:

  - If the transferor does not retain control, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer is recognized.

  - If the transferor retains control, it continues to recognize the transferred financial asset in the consolidated balance sheet for an amount equal to its exposure to changes in value and recognizes a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognized when the cash flows they generate have been extinguished or when substantially all the significant inherent risks and rewards have been transferred to third parties.

Notes 30.2 and 30.5 contain a summary of the main circumstances of the principal transfers of assets outstanding at 2013 and 2012 year-end which did not lead to the derecognition of the related assets (securities lending transactions and sales of asset under non-optional repurchase agreements).

2.9. Impairment of financial assets

A financial asset is considered to be impaired -and therefore its carrying amount is adjusted to reflect the effect of impairment- when there is objective evidence that events have occurred which:

- In the case of debt instruments (loans and debt securities), give rise to an adverse impact on the future cash flows that were estimated at the transaction date.
- In the case of equity instruments, mean that their carrying amount may not be fully recovered.

In this connection, the situations whose occurrence is considered by the Group as objective evidence that a financial instrument might be impaired, and which give rise to a specific analysis of these financial instruments in order to determine the amount of their possible impairment, include those indicated in IAS 39 and other applicable regulation. The situations that constitute objective evidence for the Group of the possible impairment of a financial instrument include the following:

a) significant financial difficulty of the issuer or obligor;

b) breach of the contract, such as default on or delayed payments of interest or principal;

c) when the Group, for economic or legal reasons relating to financial difficulties of the borrower, grants the borrower concessions or advantages that it would not otherwise have granted, in conformity with the requirements established in the legislation applicable to the Group at all times;

d) when it is considered probable that the borrower will be declared bankrupt or undergo any other form of financial reorganization relating to difficulties to meet its payment obligations;

e) when an active market for the financial asset in question ceases to exist due to financial difficulties of the debtor or of the counterparty of the risk assumed by the Group; or

f) when observable data evidence a decrease in the estimated future cash flows in a homogenous group of financial assets since their initial recognition, even though the decrease cannot yet be identified with individual assets in the group. These data include:

   i) adverse changes in the ability to pay of the borrowers in the group, such as a growing number of delayed payments, debtors that display an inadequate financial structure or any other type of difficulty in meeting their payment obligations, or

ii) changes in local or domestic economic conditions that correlate with defaults on the assets in the group, such as an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the parties borrowing from the Group.

g) for equity instruments, information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, as well as the specific situations affecting the entities invested in and which indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment, although it requires an analysis by the Group in order to ascertain whether this decrease actually relates to impairment of the investment thus allowing the Group to conclude that the amount invested by it will not be recovered.

As a general rule, despite of the aforementioned criteria, the carrying amount of impaired financial instruments is adjusted with a charge to the consolidated income statement for the period in which the impairment becomes evident, and the reversal, if any, of previously recognized impairment losses is recognized in the consolidated income statement for the period in which the impairment is reversed or reduced.

When the recovery of any recognized amount is considered unlikely, the amount is written off (“written-off asset”), without prejudice to any actions that the Group may initiate to seek collection until their contractual rights are extinguished due to expiry of the statute-of-limitations period, forgiveness or any other cause.

The criteria applied by the Group to determine possible impairment losses in each of the various financial instrument categories and the method used to recognize such impairment losses are as follows:

2.9.1. Debt instruments carried at amortized cost

The amount of an impairment loss incurred on a debt instrument carried at amortized cost is equal to the positive difference between its carrying amount and the present value of its estimated future cash flows. The market value of quoted debt instruments is deemed to be a reliable estimate of the present value of their future cash flows.

In estimating the future cash flows of debt instruments the following factors are taken into account:

- All the amounts that are expected to be obtained over the remaining life of the instrument, including, where appropriate, those which may result from the collateral provided for the instrument (less the costs for obtaining and subsequently selling the collateral).
- The various types of risk to which each instrument is subject; and
- The circumstances in which collections will foreseeably be made.

These cash flows are subsequently discounted using the instrument's effective interest rate (if its contractual rate is fixed) or the effective contractual rate at the discount date (if it is variable).

Specifically as regards impairment losses resulting from materialization of the insolvency risk of the obligors (credit risk), a debt instrument is impaired due to insolvency:

- When there is evidence of a deterioration of the obligor's ability to pay, either because it is in arrears or for other reasons, and/or;
- When country risk materializes: country risk is defined as the risk that is associated with debtors resident in a given country due to circumstances other than normal commercial risk.

Impairment losses on these assets resulting from materialization of the insolvency risk of the obligors (credit risk) are assessed as follows:

- Individually, for all significant debt instruments and for instruments which, although not material, are not susceptible to being classified in homogeneous groups of instruments with similar risk characteristics: instrument type, debtor's sector and geographical location, type of guarantee or collateral, age of past-due amounts receivable, etc.
- Collectively: the Group classifies transactions on the basis of the nature of the obligors, the conditions of the countries in which they reside, transaction status and type of collateral or guarantee, age of past-due amounts, etc. For each risk group it establishes the impairment losses ("identified losses"), which must be recognized in the financial statements

consolidated, applying the parameters established by the Bank of Spain. Impairment losses are estimated taking into account the possibility of collection of the interest accrued on these impaired assets.

In addition, the Group recognizes an overall impairment loss on risks in relation to which specific losses have not been identified. This loss is quantified by application of the parameters established by the Bank of Spain based on experience and on the information available to it on the Spanish banking industry.

The amount of the impairment losses on debt instruments at amortized cost or, as the case may be, their subsequent reversal, estimated in accordance with the criteria described above, are recognized under "Impairment Losses on Financial Assets (net) - Loans and Receivables" and "Impairment Losses on Financial Assets (net) - Other Financial Assets Not Measured at Fair Value Through Profit or Loss", depending on the category of financial instrument in which the debt instruments are classified (see Note 2.2).

2.9.2. Debt instruments classified as available for sale

The amount of the impairment losses on debt instruments included in the available-for-sale financial asset portfolio is the positive difference between their acquisition cost (net of any principal repayment or amortization) and their fair value less any impairment loss previously recognized in the consolidated income statement.

In the case of impairment losses arising due to the insolvency of the issuer of the debt instruments classified as available for sale, the procedure followed by the Group for calculating such losses is the same as the method used for debt instruments carried at amortized cost explained in section 2.9.1 above.

When there is objective evidence that the losses arising on measurement of these assets are due to impairment, they are removed from the consolidated equity item "Valuation Adjustments -Available-for-Sale Financial Assets" and are recognized, for their cumulative amount, in the consolidated income statement under "Impairment Losses (net) - Other Financial Instruments Not Measured at Fair Value Through Profit or Loss". If all or part of the impairment losses are subsequently reversed, the reversed amount would be recognized in the consolidated income statement for the period in which the reversal occurred under "Impairment Losses on Financial Assets (net) - Other Financial Assets Not Measured at Fair Value Through Profit or Loss".

Similarly, the impairment losses arising on measurement of debt instruments classified as "non-current assets held for sale" which are recognized in the Group's consolidated equity are considered to be realized and, therefore, are recognized in the consolidated income statement when the assets are classified as "non-current assets held for sale".

2.9.3. Equity instruments classified as available for sale

The impairment losses on equity instruments included in the available-for-sale financial asset portfolio are the positive difference between their acquisition cost (net of any principal repayment or amortization) and their fair value less any impairment loss previously recognized in the consolidated income statement.

The criteria for recognizing impairment losses on equity instruments classified as available for sale are similar to those for debt instruments classified as available for sale (as explained in Note 2.9.2), with the exception that any reversal of these losses is recognized in consolidated equity under "Valuation Adjustments - Available-for-Sale Financial Assets" rather than in the consolidated income statement.

2.9.4. Equity instruments carried at cost

The amount of the impairment losses on equity instruments carried at cost is the positive difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Impairment losses are recognized in the consolidated income statement for the period in which they arise as a direct reduction of the cost of the instrument. These losses can only be reversed subsequently if the related assets are sold.

2.10. Financial guarantees and provisions for financial guarantees

"Financial guarantees" are defined as contracts whereby an entity undertakes to make specific payments on behalf of a third party if the latter fails to do so, irrespective of the various legal forms they may have, such as guarantees, irrevocable documentary credits issued or confirmed by the Group, etc.

In accordance with EU-IFRSs, the financial guarantees provided by the Group are treated as financial instruments.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortized cost (described in Note 2.9.1 above).

The provisions for financial guarantees are recognized under "Provisions - Provisions for Contingent Liabilities and Commitments" on the liability side of the consolidated balance sheet (see Note 18). These provisions are recognized and reversed with a charge or credit, respectively, to "Provisions (Net)" in the consolidated income statement.

2.11. Staff costs

As part of the spin-off process performed in 2012 (see Note 1.1), Cecabank, S.A. succeeded to the Confederación and, with effect from 1 January 2012, was subrogated to all the commitments that the Confederación held with current and former employees who, as a result of the spin-off, began to render their services at Cecabank, S.A. In this regard, the Confederación does not maintain any pension or other long-term remuneration obligations, but rather its investee Cecabank, S.A. has these obligations.

2.11.1. Short-term remuneration

Short-term employee remuneration consists of monetary and non-monetary remuneration such as wages, salaries and social security contributions earned in the year and paid or payable to employees accrued during the reporting period in the twelve months following the end of the reporting period.

Short-term employee remuneration is generally recognised as staff costs in the income statement for the period in which the employees have rendered their services. It is measured at the undiscounted amount payable for the services received, and it is recognised while the employees render their services at the Group, as an accrued expense after deducting any amounts already paid.

2.11.2. Pension Obligations

The information presented in this note corresponds to the commitments made by Cecabank, SA, the only Group entity that has significant amounts of such commitments.

Under the Collective Labour Agreement currently in force, Cecabank, S.A. is required to supplement the social security benefits accruing to its employees or their beneficiary right holders in the event of retirement, disability, death of spouse or death of parent.

The Group's post-employment obligations to its employees are deemed to be "defined contribution plans" when the Group makes pre-determined contributions to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as "defined benefit plans".

Cecabank, S.A. has set up an external fund known as the "CECA Employees' Pension Plan" and has taken out insurance policies to cover its pension obligations to its employees. The external fund, in turn, comprises three subplans: a defined benefit plan (for employees hired by the Entity prior to 30 May 1986 who opted not to convert their benefits into defined contribution benefits in the previous years and for early retirees) and two defined contribution retirement benefit subplans (for employees hired by CECA prior to 30 May 1986 who opted in the previous years to convert their benefits into defined contribution benefits, as described below, and for employees hired by CECA after 29 May 1986 and for early retirees respectively). The pension plan also includes the obligations to the beneficiaries of the benefits.

In 2011, the Control Committee of the CECA Employees' Pension Plan, pursuant to the obligations previously acquired, resolved to take out an insurance policy to cover the supplementary vested pension income payable to the beneficiaries of the pension plan. The policy is in line with the benefits payable to the group of beneficiaries of the pension plan in order to ensure these obligations are met.

Note 38 to these consolidated financial statements presents additional information on these obligations with regard to reconciliations, sensitivities and other disclosures required by the legislation applicable to the Group.

At 31 December 2013, the Group's total accrued pension obligations to current and retired employees amounted to EUR 184,136 thousand (31 December 2012: EUR 158,550 thousand). Of this amount, EUR 182,368 thousand were covered by the aforementioned external pension fund and insurance policies (31 December 2012: EUR 154,078 thousand), and EUR 1,768 thousand by an internal provision recognised under "Provisions - Provisions for Pensions and Similar Obligations" in the balance sheet (31 December 2012: EUR 4,472 thousand) (see Note 38) that had not yet been transferred to the external pension fund at 31 December 2013.

Actuarial assumptions used in calculating these obligations

The accounting treatment of the defined benefit obligations is as follows:

a) The legal obligations assumed by the Group are taken into consideration according to the formal terms and conditions of the plans.

b) The present value of the legal obligations is calculated at the reporting date by a qualified actuary, together with the fair value estimates of the plan assets.

c) The fair value of the plan assets, which, pursuant to the requirements established in the applicable legislation, meet this definition at the reporting date, is deducted from the present value of the obligations.

d) If the figure obtained in c) above is positive, it is recognised as a provision for defined benefit pension funds.

e) If the figure obtained in c) above is negative, it is recognised as "other assets". The Group measures, where appropriate, the recognised asset at the lower of the following two values:

   i. The figure obtained in c) above, in absolute terms.

   ii. The present value of the cash flows available to the Group, in the form of plan redemptions or reductions in future contributions to the plan.

f) Any changes in the recognised provision are recognised when they occur in line with d) above (or, where appropriate, the asset according to e) above) as follows:

   i. In the income statement: the cost of the services rendered by the employees, those referring to both the year in question and prior years not recognised in those years, the net interest on the provision, and the gain or loss arising upon settlement. When these amounts are to form part of the cost of an asset pursuant to applicable legislation, these amounts are recognized additionally as "other operating income".

   ii. In the statement of changes in equity: the new measurements of the provision as a result of the actuarial gains and losses, of the return on any plan assets not included in the net interest on the provision, and changes in the present value of the asset as a result of the changes in the present of the cash flows available to the entity, which are not included in the net interest on the provision. The amounts recognised in the statement of changes in equity should not be reclassified to the income statement in a future year.

In relation to the preceding paragraph, it should be noted that, as a result of the application of the regulatory amendments contained in the legislation applicable to the Group, since 2013 and also affecting the 2012 comparative information presented in these financial statements retrospectively, the Group recognises the actuarial gains and losses arising in the measurement of the defined benefit pension obligations in the year in which they are disclosed, with a charge or credit, depending on their sign, to "Valuation Adjustments - Other Valuation Adjustments" and to "Valuation Adjustments-Minority interests".

In this regard, the changes made in the comparative information for 2012 presented in these 2013 financial statements are summarised below. These changes arose as a result of the application of the criterion established in IAS 19 (see Note 1.22.2) relating the treatment of the actuarial gains and losses of the Group's defined contribution pension obligations:

- Balance: in the consolidated balance at 31 December 2012 which is presented for comparison purposes in these consolidated financial statements, the actuarial gains and losses were recognized under "Valuation Adjustments - Other Valuation Adjustments" amounting to EUR 982 thousand (this line item had a zero balance in the consolidated balance sheet at 31 December 2012, prepared as an integral part of the Group's consolidated financial statements for that year). Amendments were also made to "Reserves" (the balance of which was increased by EUR 1,437 thousand on the amount published in the 2012 consolidated financial statements) and to "Profit (Loss) for the Year Attributable to the Parent" (the balance of which was reduced by EUR 2,419 thousand on the amount published in the consolidated balance sheet at 31 December 2012, which formed part of the Group's consolidated financial statements for 2012). These amounts represent the impact on consolidated equity at 31 December 2012 attributable to the Group of the retrospective application of this policy in the recognition of actuarial gains and losses.

In addition, EUR 297 thousand were recognised under "Non-Controlling Interests - Valuation Adjustments" in the consolidated balance sheet at 31 December 2012 (this line item had a zero balance in the Group's consolidated balance sheet at 31 December 2012, which formed part of its consolidated financial statements for that year) and the same amount was deducted from the balance of "Non-Controlling Interests - Other" with respect to the amount recognised in the aforementioned consolidated balance sheet of the Group at 31 December 2012, which forms part of the aforementioned consolidated financial statements for 2012. This impact represents the effect of applying this regulatory change retrospectively on the consolidated equity attributable to the Group's minority interests.

It is important to note, as indicated above, that these consolidated financial statements do not include the comparative consolidated balance sheet at 1 January 2012 required by IAS 1.10, since the retrospective application of the new policy for recognising actuarial gains and losses did not give rise to a material effect on that consolidated balance sheet.

- In the consolidated income statement for 2012 which is presented in these consolidated financial statements for 2013 for comparison purposes, the recognised expense forming part of the balance of "Provisions (Net)" was increased by EUR 3,879 thousand, and the income tax expense recognised under "Income Tax" was reduced by EUR 1,163 thousand with respect to the amounts included in the consolidated financial statements for 2012, as a result of the recognition of the actuarial gains and losses for 2012 and the related tax effect, respectively, which, pursuant to the policy established in IAS 19, began to be recognised directly as a valuation adjustment in consolidated equity, instead of in the consolidated income statement. As a result of this amendment, various income statement margins were affected, and consolidated profit after tax for 2012, which is presented for comparison purposes only, was reduced by EUR 2,716 thousand.

  Changes were also made to "Profit (Loss) Attributable to the Parent" (which was reduced by EUR 2,419 thousand with respect to the figure reported in 2012) and "Profit (Loss) Attributable to Non-Controlling Interests" (which was reduced by EUR 297 thousand with respect to the figure included in the consolidated financial statements for 2012).

- For comparison purposes, the consolidated statement of recognised income and expense for 2012 is presented with the same structure as that for 2013, prepared in accordance with the changes established in IAS 1. On a consistent basis with the changes to the balance sheet and the income statement indicated in the preceding paragraphs, the actuarial gains for 2012 amounting to EUR 3,879 thousand and the related positive tax effect of EUR 1,163 thousand are presented in the aforementioned statement under "Items that will not be Reclassified to Profit or Loss", instead of forming part of "Profit for the Year", which was the criterion established in the legislation applicable at the date of preparation of the 2012 financial statements.

- As a result of the aforementioned changes to consolidated profit for 2012, changes for the same amounts were made to "Consolidated Profit for the Year" in the 2012 consolidated statement of cash flows, which is presented for comparison purposes, and "Other Adjustments", for tie-in purposes, amounting to EUR 2,716 thousand in both cases.

The defined contribution obligations are generally recognised at the amount of the contributions made by the Group in the year in exchange for the services rendered by employees in the same period, and are recognised as an expense for the year. In 2013 the portion of the accrued expense for the contributions to the external pension fund relating to defined contribution obligations amounted to EUR 1,755 thousand (2012: EUR 348 thousand), and this amount was recognised under "Administrative Expenses - Staff Costs" in the income statement (see Note 38).

Furthermore, contributions to the pension plan in excess of the current legal and tax ceilings are covered by two insurance policies taken out with Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"). One of these is a single premium policy. The premiums on these policies and on other insurance policies covering pension obligations and other obligations to employees totalled EUR 545 thousand in 2013 (2012: EUR 740 thousand), and this amount was recognised under "Administrative Expenses - Staff Costs" in the income statement (see Note 38).

2.11.3. Other long-term benefits

2.11.3.1. Early retirements

Through several agreements entered into in 2013, as in previous years, by Cecabank, S.A. and by CECA (to which Cecabank, S.A. was subrogated by virtue of the spin-off of its activity to CECA as indicated in Note 1 above) and the Workplace Trade Union Branch and the representatives of the Works Council, various pre-retirement offers were made to the employees. The following paragraphs contain a summary of the main features of these pre-retirement agreements.

Pre-retirement agreements prior to 2013

On 7 April 2011, an agreement was entered into between CECA, the Workplace Trade Union Branch and the representatives of the Workers' Committee, under which a Pre-Retirement Plan was established for all employees who at 31 December 2011 were at least 55 years of age and had been in CECA's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 13 May 2011. As a result of the spin-off mentioned in section 1.1, the Bank was subrogated to these obligations.

On 25 June 2012, an agreement additional to the one mentioned in the previous paragraph was entered into between Cecabank, S.A., the Workplace Trade Union Branch and the representatives of the Works Council, under which a Pre-Retirement Plan was established for all employees who at 31 December 2012 were at least 53 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 20 July 2012. This agreement also includes other measures such as termination benefits for the group of employees not included in the pre-retirement plans mentioned above (for which the deadline for participating was 30 September 2012), unpaid leave and reduced working hours (the deadline for participating was 30 October 2012).

Pre-retirement agreements in 2013

Also, on 29 October 2013, another agreement was entered into between Cecabank, S.A., the Workplace Trade Union Branch and the representatives of the Works Council, to extend the agreement entered into on 25 June 2012 for a maximum of 129 employees who at 31 December 2013 were at least 50 years of age and had been in the entity's employ for at least ten years. The general registration period for employees wishing to participate in this plan ended on 12 November 2013. 54 employees availed themselves of this offer. The pre-retirements are taking effect between 1 December 2013 and 31 March 2014. The period of pre-retirement begins on the date of termination of the employment contract and ends on the date on which the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first.

The amount receivable by the employee during pre-retirement is equal to 75% of his/her annual gross fixed remuneration while in employment, with a maximum annual benefit limit of EUR 150,000 and a minimum annual limit of EUR 27,119. At the discretion of the pre-retired employee, this benefit may be received either in a single lump sum payment or in 14 monthly payments up until the age established in the Agreement. In addition, regardless of the chosen form of payment, the employees who avail themselves of this offer are entitled to receive a gross incentive of EUR 16,000 in a single payment. Also, any employees who would have been paid a 25-year service bonus had they remained in the entity's employ until 31 March 2014 continue to be entitled to receive this bonus.

For the participants of pension sub-plans two and three (see Note 2.11.2), the Group will continue to make contributions to the employee pension plan and the policies provided for in the insurance protocol relating to this plan, where appropriate, solely for retirement cover. The amount of this contribution will be the same as that made in the year immediately prior to the pre-retirement, and will be made until the employee reaches 63 years of age, with a limit of nine years from the pre-retirement date, whichever occurs first. In particular, the participants of sub-plan three will continue to be entitled to the contributions provided for in the Caser policy, for past service, until the age of 65. In the case of the employees who are participants in defined benefit sub-plan one, for retirement cover, the Group will continue to make the contributions required to maintain coverage of the retirement benefit established by the Group until the date on which pre-retirement benefits cease to be paid, and the benefits received in the twelve months prior to retirement. Alternatively, participants in sub-plan one who take pre-retirement pursuant to the pre-retirement plan may transfer their consolidated rights in the plan at the pre-retirement date to sub-plan three and convert the benefit regime into a defined contribution regime. For these participants, contributions are not payable to the Caser policy provided for in the insurance protocol of the Bank's Employees Pension Plan.

Social Security Special Agreement payments are payable by the employees, although the Group will pay these amounts into the employees' salary until they meet the established age requirements and limits. The Special Agreement will be entered into at the employees' maximum contribution rate on the date immediately preceding the retirement date, with a maximum limit of the contribution base that would have been applicable to the employees had they remained in the Bank's employ.

The provisions recognised in 2013 for this pre-retirement plan, pursuant to the conditions indicated in the preceding paragraph, amounted to EUR 25,745 thousand, and they were recognised under "Provisions (Net)" in the income statement for 2013 (see Note 38).

With regard to the accounting criteria applied to these obligations, it should be noted that they are the same as those explained in Note 2.11.2 for the defined benefit post-employment obligations, except for the fact that the actuarial gains and losses are recognised directly in the Group's income statement in the year in which they are disclosed.

The obligations in respect of future salaries, future social security costs and incentives relating to early retirees corresponding to commitments given in the preceding paragraphs as well as the obligations for future contributions to the Pension Plan (all of which were considered as defined benefit obligations) were covered by an internal provision amounting to EUR 97,322 thousand (EUR 89,097 thousand at 31 December 2012), which was recognized under "Provisions - Provisions for Pensions and Similar Obligations" in the balance sheet (see Note 38) and related to early retirement obligations incurred as a result of the aforementioned Agreement dated 7 April 2011, 25 June 2012 and 29 October 2013. At 31 December 2013 and 2012 this provision covered the full amount of the Group's early retirement obligations at those dates.

Note 38 to these notes to the financial statements includes additional information relating to these obligations.

2.11.3.2. Death and disability

The commitments for death or disability of current employees are included in the benefits covered by the aforementioned pension fund.

2.11.3.3. Long-service bonuses

Cecabank,S.A. has undertaken to pay a bonus to employees reaching 25 years of service at the Entity.

The amounts paid in this connection at 2013 and 2012 year-end totaled approximately EUR 70 thousand and EUR 94 thousand, respectively.

There are no other significant agreements of this nature for the Group other than those held with Cecabank, S.A.

2.11.4. Termination benefits

The termination benefit expense amounted to EUR 1,700 thousand and was recognised under "Staff Costs" in the 2013 income statement (in 2012 there was a credit of EUR 3,114 thousand in this connection) (see Note 38).

Also, the Group has agreements with some of its executives and/or directors to pay them certain benefits in the event that they are terminated without just cause. The amount of the benefit, which in any case would not have a material effect on the Group, would be charged to the consolidated income statement when the decision to terminate the employment of the executive or director concerned was made.

2.11.5. Loans to employees

Under the collective labour agreement in force and the additional agreements entered into in 2004 with Cecabank's employees, employees are entitled to apply for mortgage loans from the Cecabank, S.A. for a maximum period of 40 years at an interest rate of 70% of Euribor with lower and upper limits for 2013 and 2012 of 1.50% and 5.25%, respectively.

Under the applicable industry collective labour agreement and pursuant to collective agreements reached by the Cecabank, S.A. implementing it, employees may, in specific cases, apply for interest free advances and other "welfare" loans or loans for the expansion of their residence, with a repayment period of 10 and 15 years, respectively, at the Euribor interest rate.

In the event of exceptional circumstances requiring an employee to apply for a type of loan that does not fully or partially comply with the regulations stipulated in the industry collective labour agreement, or its implementing regulations, the employee may apply for the loan through the ALCO, indicating the exceptional circumstances.

These loans are recognized at amortized cost under "Loans and Receivables - Loans and Advances to Customers" in the consolidated balance sheet.

There are no other significant agreements of this nature for the Group to further maintained by Cecabank, S.A.

2.12. Income tax

The income tax expense is recognized in the consolidated income statement, except when it results from a transaction recognized directly in the Group's equity, in which case the income tax is also recognized in the Group's equity.

The current income tax expense is calculated as the tax payable with respect to the taxable profit for the year, adjusted by the amount of the changes in the year in the assets and liabilities (deferred taxes) recognized as a result of temporary differences and tax credit and tax loss carry forwards that may exist (see Note 22).

The Group considers that there is a temporary difference when there is a difference between the carrying amount of an asset or liability and its tax base that can be expected to revert in the future. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

A taxable temporary difference is one that will generate a future obligation for the Group to make a payment to the related tax authorities. A deductible temporary difference is one that will generate a right for the Group to a refund or a reduction in its tax charge in the future.

Tax credit and tax loss carry forwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met and the Group considers it probable that they will be used in future periods.

Current tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities within 12 months from the balance sheet date. Deferred tax assets and liabilities are the taxes that are expected to be recoverable from or payable to the related tax authorities in over 12 months from the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. However, deferred tax liabilities arising from the initial recognition of goodwill are not recognized.

The Group only recognizes deferred tax assets arising from deductible temporary differences and from tax credit and for tax loss carry forwards when the following conditions are met:

- If it is considered probable that the Group will obtain sufficient future taxable profit against which the deferred tax assets can be utilized; and
- In the case of deferred tax assets arising from tax loss carry forwards, in case of existence, the tax losses result from identifiable causes which are unlikely to recur.

No deferred tax assets or liabilities are recognized if they arise from the initial recognition of an asset or liability (except in the case of a business combination) that at the time of recognition affects neither accounting profit nor taxable profit.

The deferred tax assets and liabilities recognized are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed, in case it is necessary.

The Group files consolidated tax returns, pursuant to Title VII of Legislative Royal Decree 4/2004, of 5 March, approving the Consolidated Corporation Tax Law. For each entity that files consolidated tax returns, the Group recognises the income tax expense that the entity would have had to pay if it had filed an individual tax return, adjusted for the tax losses generated by each entity from which other Group entities benefit, taking into consideration the consolidated tax adjustments to be made.

Also, it should be noted that Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to European Union legislation in relation to the supervision and capital adequacy of financial institutions, was published in the Official State Gazette on 30 November 2013. This Royal Decree-Law introduced, inter alia, amendments to the Consolidated Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, establishing, for tax periods commencing on or after 1 January 2011, changes in the treatment of the inclusion in tax bases, with certain limits, for tax periods commencing on or after 2014, of certain temporary differences arising from impairment losses on loans or other assets arising from the possible insolvency of debtors not related to the taxpayer and from provisions for contributions to social welfare systems and, where appropriate, pre-retirement systems, and provided for their conversion into public sector debt in certain cases. The latter include entities reporting an accounting loss, liquidation processes and court-declared insolvencies. It establishes a further possibility, whereby, in relation to these temporary differences, the deferred tax assets may be exchanged for public debt securities once the period for offsetting tax losses, established in applicable legislation, has elapsed.

As a result of the entry into force of this Royal Decree-Law and of the aforementioned amendments made to tax legislation, for which certain aspects of regulatory implementation have not yet been completed, there was no impact on the amounts recognised by the Group in relation to deferred tax assets.

2.13. Tangible assets

2.13.1. Property, plant and equipment for own use

Property, plant and equipment for own use includes the assets that are held by the Group for present or future purposes which are expected to be used for more than one year. Property, plant and equipment for own use is recognized at acquisition cost in the consolidated balance sheet, less:

- The related accumulated depreciation, and
- Any estimated impairment losses (net carrying amount higher than recoverable amount).

Depreciation is calculated by the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The tangible asset depreciation charge is recognized under "Depreciation and Amortization" in the consolidated income statement and is calculated basically using the following depreciation rates (based on the average years of estimated useful life of the various assets):

	ANNUAL RATE
Property	2% to 4%
Furniture and office equipment	10% to 15%
Computer hardware	15% to 25%
Fixtures	8% to 12%
Transport equipment	16%

The Group assesses at the reporting date whether there is any internal or external indication that an asset may be impaired (i.e. its carrying amount exceeds its recoverable amount). If this is the case, the carrying amount of the asset is reduced to its recoverable amount and future depreciation charges are adjusted in proportion to the revised carrying amount and to the new remaining useful life (if the useful life must be re-estimated). When necessary, the carrying amount of property, plant and equipment for own use is reduced with a charge to "Impairment Losses on Other Assets (Net) - Other Assets" in the consolidated income statement.

Similarly, if there is an indication of a recovery in the value of a previously impaired tangible asset, the Group recognizes the reversal of the impairment loss recognized in prior periods with the related credit to "Impairment

Losses on Other Assets (Net) - Other Assets" in the consolidated income statement and adjusts the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least once a year with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognized in the consolidated income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognized as an expense under "Administrative Expenses – Other General Administrative Expenses" in the consolidated income statement in the year in which they are incurred.

The equipment for own use which is no longer for own use and are included by the management in a sale plan, which is estimated to be achieved in a year, are recognized as non-current assets held for sale, and will be valued in accordance with the criteria detailed in Note 2.17.

2.13.2. Property, plant and equipment assigned to welfare projects

"Tangible Assets - Property, Plant and Equipment Assigned to Welfare Projects" in the consolidated balance sheet includes the carrying amounts of the tangible assets assigned to the Confederación's welfare projects.

The criteria used to recognize the acquisition cost of assets assigned to welfare projects, to calculate their depreciation and their respective estimated useful lives and to recognize any impairment losses, in case of existence, thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1), the only exception being that the depreciation charges and the recognition and reversal of any impairment losses on these assets are not recognized in the consolidated income statement but rather under "Welfare Fund" on the liability side of the consolidated balance sheet (see Note 29).

At 31 December 2013 and 2012, and throughout those years, there were no tangible assets assigned to welfare projects.

2.13.3. Investment property

"Tangible Assets - Investment Property" in the consolidated balance sheet reflects the net values of the land, buildings and other structures held either to earn rentals or for capital appreciation as a result of the increases occur in the future in their respective market prices.

The criteria used to recognize the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognize any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use (see Note 2.13.1).

2.14. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the Group. Only intangible assets whose cost can be estimated reasonably objectively and from which the Group considers it probable that future economic benefits will be generated are recognized.

Intangible assets are recognized initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

2.14.1. Other intangible assets

Intangible assets other than goodwill are recognized in the consolidated balance sheet at acquisition or production cost, less the related accumulated amortization and any accumulated impairment losses.

Intangible assets can have an indefinite useful life -when, based on an analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group- or a finite useful life, in all other cases.

Intangible assets with indefinite useful lives are not amortized, but rather at the end of each reporting period the Group reviews the remaining useful lives of the assets in order to determine whether they continue to be indefinite and, if this is not the case, to take the appropriate steps. At 31 December 2012 and 2011, and throughout these years, there were no intangible assets with indefinite useful lives.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives, which range from three to ten years depending on the class of asset. The period amortization charge for intangible assets with finite useful lives is recognized under "Depreciation and Amortization" in the consolidated income statement.

For intangible assets other than goodwill with indefinite useful lives and with finite useful lives, the Group recognizes any impairment loss on the carrying amount of these assets, and any reversal of previously recognized impairment losses, with a charge or credit, as appropriate, to "Impairment Losses on Other Assets (net) – Goodwill and Other Intangible Assets" in the consolidated income statement. The criteria used to recognize the impairment losses on these assets and, where applicable, the reversal of impairment losses recognized in prior years are similar to those used for property, plant and equipment for own use (see Note 2.13.1), except that in no circumstances may any impairment recognized for goodwill in the consolidated balance sheet be reversed.

At 31 December 2013 and 2012, "Intangible Assets - Other Intangible Assets" includes, primarily, the acquisition cost, net of accumulated amortisation and impairment, of certain rights of the securities depository business of certain collective investment undertakings and pension funds acquired in 2013 and prior years.

2.15. Provisions and contingent liabilities

When preparing the consolidated financial statements, the directors made a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet consolidated date arising from past events which could give rise to a loss for the consolidated entities, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing; and
- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated entities.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognized in the consolidated financial statements, but rather are disclosed, as required by the applicable standards.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognized. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

The provisions considered necessary pursuant to the foregoing criteria and their eventual reversal, should the reasons for their recognition disappear, are recognized with a charge or credit, respectively, to “Provisions (net)” in the consolidated income statement.

2.15.1. Litigation and/ or claims in process

At the end of 2013 certain litigation and claims were in process against the Group arising from the ordinary course of its operations. The Group’s legal advisers and directors consider that the outcome of the litigation and claims will not have a material effect on the consolidated financial statements for the years in which they are settled.

2.16. Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities. Operating activities also include interest paid on any financing received, even if this financing is considered to be financing activity. Activities performed with the various financial instrument categories detailed in Note 2.2.4 above are classified, for the purpose of this statement, as operating activities.
- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents, such as tangible assets, intangible assets, investments, non-current assets held for sale and associated liabilities, equity instruments classified as available for sale which are strategic investments and debt instruments included in held-to-maturity investments.

- Financing activities: includes the cash flows from activities that result in changes in the size and composition of the consolidated equity and liabilities that are not operating activities.

For cash flow statement preparation purposes, the balance of "Cash and Balances with Central Banks" on the asset side of the consolidated balance sheet, disregarding any impairment losses, was considered to be "cash and cash equivalents".

2.17. Non-current assets held for sale

"Non-Current Assets Held for Sale" in the consolidated balance sheet includes the carrying amount of items - individual items, disposal groups or items forming part of a business unit earmarked for disposal ("discontinued operations") - which, because of their nature, are estimated to have a realization or recovery period exceeding one year, but are earmarked for disposal by the Group and whose sale in their present condition is highly probable to be completed within one year from the date of the consolidated financial statements.

Investments in associates that meet the requirements set forth in the foregoing paragraph are also considered to be non-current assets held for sale.

Therefore, the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably be recovered through the proceeds from their disposal rather than from continuing use.

Symmetrically, "Liabilities Associated with Non-Current Assets Held for Sale" in the consolidated balance sheet includes the balances payable, if any, associated with disposal groups and the Group's discontinued operations.

In general, non-current assets held for sale are initially measured at the lower of their carrying amount calculated as at the classification date and their fair value less estimated costs to sell. Tangible and intangible assets that are depreciable and amortizable by nature are not depreciated or amortized during the time they remain classified in this category.

After the classification as Non-current assets held for sale, if the carrying amount of the assets exceeds their fair value less costs to sell, the Group adjusts the carrying amount of the assets by the amount of the excess with a charge to "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement. If the fair value of such assets subsequently increases, the Group reverses the losses previously recognized and increases the carrying amount of the assets without exceeding the carrying amount prior to the impairment, with a credit to "Gains/(Losses) on Non-Current Assets Held for Sale not Classified as Discontinued Operations" in the consolidated income statement.

Despite the foregoing, financial assets, assets arising from remuneration to employees and any deferred tax assets that are part of a disposal group or of a discontinued operation are not measured as described in the preceding paragraphs, but rather in accordance with the accounting policies and rules applicable to these items, which were explained in previous sections of Note 2.

At 31 December 2013, the only assets classified by the Group in this asset category related to buildings previously considered to be for own use, which were classified in this asset category in 2013 since they met the conditions established in the applicable legislation indicated in the preceding paragraphs.

2.18. Welfare Fund

The Confederación's Welfare Fund is recognized under "Welfare Fund" on the liability side of the consolidated balance sheet (see Note 29).

Transfers to the welfare fund are recorded as an appropriation of the Confederación's profit. Welfare project expenses are presented in the consolidated balance sheet as deductions from the welfare fund and in no case may they be recognized in the consolidated income statement. Tangible assets and liabilities assigned to welfare projects, if any, are included in separate asset and liability items in the consolidated balance sheet.

2.19. Consolidated statement of recognized income and expense

The consolidated statement of recognized income and expense presents the income and expenses generated by the Group as a result of its business activity in the year, and a distinction is made between the income and expenses recognized in the consolidated income statement for the year and the other income and expenses recognized, in accordance with current regulations, directly in consolidated equity, making a distinction among the latter, in turn, between items that may be reclassified to the income statement, pursuant to applicable legislation, and those that may not.

Accordingly, this statement presents:

a) Consolidated profit for the year.

b) The net amount of the income and expenses recognized in consolidated equity under "Valuation Adjustments", which, pursuant to applicable legislation, will not be reclassified to the consolidated income statement.

c) The net amount of the income and expenses recognized in consolidated equity under "Valuation Adjustments" which may be reclassified to the consolidated income statement

d) The income tax incurred in respect of the items indicated in b) and c) above.

e) The total recognized consolidated income and expenses, calculated as the sum of a) and d) above.

The changes in income and expenses recognized in consolidated equity under "Valuation Adjustments", which may be reclassified to the consolidated income statement, are broken down as follows:

a) Revaluation gains/(losses): includes the amount of the income, net of the expenses incurred in the year, recognized directly in consolidated equity. The amounts recognized in the year under "Valuation Adjustments" are recorded in this line item, even though they are transferred in the same year to the consolidated income statement, to the initial value of other assets or liabilities, or are reclassified into another line item.

b) Amounts transferred to the consolidated income statement: includes the amount of the revaluation gains and losses previously recognized in consolidated equity, albeit in the same year, which are recognized in the consolidated income statement.

c) Amount transferred to the initial carrying amount of hedged items: includes the amount of the revaluation gains and losses previously recognized in consolidated equity, albeit in the same year, which are recognized in the initial carrying amount of the assets or liabilities as a result of cash flow hedges.

d) Other reclassifications: includes the amount of the transfers made in the year between valuation adjustment items in accordance with current regulations.

The amounts of these items are presented gross and the related tax effect is recognized in this statement under "Income Tax related items that may be reclassified to income".

The aforementioned Bank of Spain Circular 5/2013 changed the structure of certain line items in this statement, without affecting the total of the amounts that must form part of total recognised income and expense in the year. The formats of this statement included in these financial statements for 2013 and in the related comparative information for 2012 are presented using the new format included in the aforementioned Circular 5/2013. The main change from the model presented in this state submitted in the 2012's consolidated Group financial statements is that the variation that recognized in Other income and expenses with counterparty valuation adjustments to the consolidated equity is presented disaggregated separate from those items, pursuant to applicable regulations, may be reclassified to the profit and loss account, of those that do not may be so.

2.20. Consolidated statement of changes in total equity

This statement presents all the changes in consolidated equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the consolidated equity items, and the changes in the year are grouped together on the basis of their nature into the following items:

a) Adjustments due to changes in accounting policies and adjustments made to correct errors: include significant changes in consolidated equity arising as a result of the retrospective restatement of the balances in the consolidated financial statements due to changes in accounting policies or to the correction of errors. In the statement referring to 2013, included in these 2013 consolidated financial statements, the effect of the change in the policy for recognising actuarial gains and losses, introduced by IAS 19 and applied retrospectively as explained in Note 2.11 above, is presented under this line item.

b) Recognized income and expense: includes the total recognized income and expenses reported in the consolidated statement of recognized income and expense.

c) Other changes in equity: includes the remaining items recognized in consolidated equity, including, inter alia, distribution of Group profit, transfers between consolidated equity items and any other increases or decreases in consolidated equity.

3. Confederación Española de Cajas de Ahorros Group

Confederación Española de Cajas de Ahorros (CECA) is the Group's Parent. Its individual financial statements are prepared by applying the accounting principles and standards included in Bank of Spain Circular 4/2004, of 22 December, for credit institutions on public and confidential financial reporting rules and financial statement formats.

Following are the financial statements of Confederación Española de Cajas de Ahorros at 31 December 2013 and 2012 and for the years then ended:

Confederación Española de Cajas de Ahorros

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

ASSETS	2013	2012 (*)
1. Cash and balances with central banks	-	-
2. Financial assets held for trading	-	-
Memorandum item: Loaned or advanced as collateral	-	-
3. Other financial assets at fair value through profit or loss	-	-
Memorandum item: Loaned or advanced as collateral	-	-
4. Available-for-sale financial assets	-	-
Memorandum item: Loaned or advanced as collateral	-	-
5. Loans and receivables (Note5)	10,691	13,542
5.1 Loans and advances to credit institutions	10,691	13,542
5.2 Loans and advances to customers	-	-
5.3 Debt instruments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
6. Held-to-maturity investments	-	-
Memorandum item: Loaned or advanced as collateral	-	-
7. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
8. Hedging derivatives	-	-
9. Non-current assets held for sale	-	-
10. Investments (Note 6)	648,817	648,817
10.1 Associates	-	-
10.2 Jointly controlled entities	-	-
10.3 Subsidiares	648,817	648,817
11. Insurance contracts linked to pensions	-	-
13. Tangible assets	-	-
Memorandum item: Acquired under a finance lease	-	-
14. Intangible assets	-	-
15. Tax assets	3,209	1,372
15.1 Current (Note 11)	3,209	1,372
15.2 Deferred	-	-
16. Other assets (Note 7)	-	24
TOTAL ASSETS	662,717	663,755
MEMORANDUM ITEMS		
1. Contingent liabilities	-	-
2. Contingent commitments	-	-

Confederación Española de Cajas de Ahorros

BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

LIABILITIES AND EQUITY	2013	2012
LIABILITIES		
1. Financial liabilities held for trading	-	-
2. Other financial liabilities at fair value through profit or loss	-	-
3. Financial liabilities at amortised cost	64	101
3.1 Deposits from central banks	-	-
3.2 Deposits from credit institutions	-	-
3.3 Customer deposits	-	-
3.4 Marketable debt securities	-	-
3.5 Subordinated liabilities	-	-
3.6 Other financial liabilities (Note 8)	64	101
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk	-	-
5. Hedging derivatives	-	-
6. Liabilities associated with non-current assets held for sale	-	-
7. Liabilities under insurance contracts	-	-
8. Provisions	-	-
9. Tax liabilities	-	-
10. Welfare fund (Note18)	215	215
11. Other liabilities (Note 7)	380	126
12. Capital repayable an demand	-	-
TOTAL LIABILITIES	**659**	**442**
EQUITY		
1. Own funds	662,058	663,313
1.1 Endowment fund	-	-
1.1.1 Registered capital	-	-
1.1.2 Less: Uncalled capital	-	-
1.2 Share premium	-	-
1.3 Reserves (Note 10)	653,307	653,175
1.4 Other equity instruments	-	799
1.4.1 Equity component of compound financial instruments	-	-
1.4.2 Non-voting equity units and associated funds (Note 9)	-	799
1.4.3 Other equity instruments	-	-
1.5 Less: Treasury shares	-	-
1.6 Profit for the year	8,751	9,339
1.7 Less: Dividends and remuneration	-	-
2. Valuation adjustments	-	-
TOTAL EQUITY	**662,058**	**663,313**
TOTAL LIABILITIES AND EQUITY	662,717	663,755

Confederación Española de Cajas de Ahorros

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)		
	2013	2012	
1. Interest and similar income (Note 19)	19	3,008	
2. Interest expense and similar charges	-	-	
3. Remuneration of capital having the nature of a financial liability	-	-	
A. NET INTEREST INCOME	19	3.008	
4. Income from equity instruments (Note 20)	9,892	4,000	
5 Fee and commission income	-	-	
7. Fee and commission expense	-	-	
8. Gains/losses on financial assets and liabilities (net)	-	-	
9. Exchange differences (net)	-	-	
10. Other operating income (Note 21)	8,007	13.429	
11. Other operating expenses	-	-	
B. GROSS INCOME	17,918	20,437	
12. Administrative expenses	(11,198)	(12,024)	
12.1 Staff costs (Note 22)	(564)	(578)	
12.2 Other general administrative expenses (Note 23)	(10,634)	(11,446)	
13. Depreciation and amortisation	-	-	
14. Provisions (net)	-	-	
15. Impairment losses on financial assets (net)	-	-	
C. PROFIT FROM OPERATIONS	6.720	8.413	
16. Impairment losses on other assets (net)	-	-	
17. Gains (losses) on disposal of assets not classified as non-current assets held for sale	-	-	
18. Negative goodwill on business combinations	-	-	
19. Gains (losses) on non-current assets held for sale not classified as discontinued operations	-	-	
D. PROFIT BEFORE TAX	6,720	8,413	
20. Income tax (Note 11)	2,031	926	
21. Mandatory transfer to welfare projects and funds		-	-
E. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	8,751	9,339	
22. Profit/Loss from discontinued operations (net)	-	-	
F. PROFIT FOR THE YEAR	8,751	9,339	

Confederación Española de Cajas de Ahorros

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Income / (Expense)	
	2013	2012
A) PROFIT FOR THE YEAR	8,751	9,339
B) OTHER RECOGNISED INCOME AND EXPENSE		4,823
B.1) Items that will not be reclassified to profit or loss	-	-
1. Actuarial gains and losses on defined benefit pension plans	-	-
2. Non-current assets held for sale	-	-
4. Income tax relating to items that will not be reclassified to profit or loss	-	-
B.2) Items that may be reclassified to profit or loss	-	4,823
1. Available-for-sale financial assets	-	-
1.1. Revaluation gains (losses)	-	-
1.2. Amounts transferred to income statement	-	-
1.3. Other reclassifications	-	6,890
2. Cash flow hedges -	-	
2.1. Revaluation gains (losses)	-	-
2.2. Amounts transferred to income statement	-	-
2.3. Amounts transferred to the initial carrying amount of hedged items	-	-
2.4. Other reclassifications	-	-
3. Hedges of net investments in foreign operations	-	-
3.1. Revaluation gains (losses)	-	-
3.2. Amounts transferred to income statement	-	-
3.3. Other reclassifications	-	-
4. Exchange differences	-	-
4.1. Revaluation gains (losses)	-	-
4.2. Amounts transferred to income statement	-	-
4.3. Other reclassifications	-	-
5. Non-current assets held for sale	-	-
5.1. Revaluation gains (losses)	-	-
5.2. Amounts transferred to income statement	-	-
5.3. Other reclassifications	-	-
6. Actuarial gains (losses) on pension plans	-	-
8. Other recognised income and expense	-	-
9. Income tax		(2,067)
C) TOTAL RECOGNISED INCOME AND EXPENSE (A+B)	8,751	14,162

Confederación Española de Cajas de Ahorros

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 1 of 2

	OWN FUNDS									
	ENDOWMENT FUND	SHARE PREMIUM	RESERVES	OTHER EQUITY INSTRUMENTS	LESS: TREASURY SHARES	PROFIT FOR THE YEA	LESS: DIVIDENDS AND REMUNERATION	TOTAL OWN FUNDS	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 01/01/13	-	-	653,175	799	-	9,339	-	663,313	-	663,313
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	653,175	799	-	9,339	-	663,313	-	663,313
3. Total recognised income and expense	-	-	-	-	-	8,751	-	8,751	-	8,751
4. Other changes in equity	-	-	132	(799)	-	(9,339)	-	(10,006)	-	(10,006)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	-	-	-	-	-	-	-
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	-	-	-	-	-
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	1,339	-	-	(1,339)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds (only Cajas de Ahorro and Credit Cooperative)	-	-	-	-	-	(8,000)	-	(8,000)	-	(8,000)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity (Note 9)	-	-	(1,207)	(799)	-	-	-	(2,006)	-	(2,006)
5. Ending balance at 31/12/13	-	-	653,307	-	-	8,751	-	662,058	-	662,058

Confederación Española de Cajas de Ahorros

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	OWN FUNDS									
	ENDOWMENT FUND	SHARE PREMIUM	RESERVES	OTHER EQUITY INSTRUMENTS	LESS: TREASURY SHARES	PROFIT FOR THE YEA	LESS: DIVIDENDS AND REMUNERATION	TOTAL OWN FUNDS	VALUATION ADJUSTMENTS	TOTAL EQUITY
1. Ending balance at 01/01/12	-	-	669,481	30,051	-	38,756	-	738,288	(4,823)	733,465
1.1. Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-	-
1.2. Adjustments made to correct errors	-	-	-	-	-	-	-	-	-	-
2. Adjusted beginning balance	-	-	669,481	30,051	-	38,756	-	738,288	(4,823)	733,465
3. Total recognised income and expense	-	-	-	-	-	9,339	-	9,339	4,823	14,162
4. Other changes in equity	-	-	(16,306)	(29,252)	-	(38,756)	-	(84,314)	-	(84,314)
4.1. Increases in endowment fund	-	-	-	-	-	-	-	-	-	-
4.2. Reductions of endowment fund	-	-	-	(29,252)	-	-	-	(29,252)	-	(29,252)
4.3. Conversion of financial liabilities into equity	-	-	-	-	-	-	-	-	-	-
4.4. Increases in other equity instruments	-	-	-	-	-	-	-	-	-	-
4.5. Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-
4.6. Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-
4.7. Remuneration of shareholders	-	-	-	-	-	(1,667)	-	(1,667)	-	(1,667)
4.8. Transactions involving own equity instruments	-	-	-	-	-	-	-	-	-	-
4.9. Transfers between equity items	-	-	33,374	-	-	(33,374)	-	-	-	-
4.10. Increases (decreases) due to business combinations	-	-	-	-	-	-	-	-	-	-
4.11. Discretionary transfer to welfare projects and funds (only Cajas de Ahorro and Credit Cooperative).	-	-	-	-	-	(3,715)	-	(3,715)	-	(3,715)
4.12. Equity-instrument-based payments	-	-	-	-	-	-	-	-	-	-
4.13. Other increases (decreases) in equity	-	-	(49,680)	-	-	-	-	(49,680)	-	(49,680)
5. Ending balance at 31/12/12	-	-	653,175	799	-	9,339	-	663,313	-	663,313

Confederación Española de Cajas de Ahorros

CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

Page 1 of 2

	Charges / (Payments	
	2013	2012 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (Note 2.12)	(845)	4.426
1. Profit for the year	8.751	9.339
2. Adjustments made to obtain the cash flows from operating activities	(2.031)	(926)
2.1. Depreciation and amortisation	-	-
2.3. Other adjustments	(2.031)	(926)
3. Net (increase)/decrease in operating assets	(1.098)	(80)
3.1. Financial assets held for trading	-	-
3.2. Other financial assets at fair value through profit or loss	-	-
3.3. Available-for-sale financial assets	-	-
3.4. Loans and receivables	-	-
3.5. Other operating assets	(1.098)	(80)
4. Net (increase)/decrease in operating liabilities	(7.783)	(3.517)
4.1. Financial liabilities held for trading	-	-
4.2. Other financial liabilities at fair value through profit or loss	-	-
4.3. Financial liabilities at amortised cost	(37)	101
4.4. Other operating liabilities	(7.746)	(3.618)
5. Collections/(Payments) of income tax	1.316	(390)
B) CASH FLOWS FROM INVESTING ACTIVITIES (Note 2.12)	-	-
6. Payments	-	-
6.1. Tangible assets	-	-
6.2. Intangible assets	-	-
6.3. Investments	-	-
6.4. Other business units	-	-
6.5. Non-current assets held for sale and associated liabilities	-	-
6.6. Held-to-maturity investments	-	-
6.7. Other payments related to investing activities	-	-
7. Collections	-	-
7.1. Tangible assets	-	-
7.2. Intangible assets	-	-
7.3. Investments	-	-

Confederación Española de Cajas de Ahorros

CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012 (Thousands of Euros)

	Charges / (Payments)	
	2013	2012
7.4. Other business units	-	-
7.5. Non-current assets held for sale and associated liabilities	-	-
7.6. Held-to-maturity investments	-	-
7.7. Other payments related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (Note 2.12)	(2.006)	(80.599)
8. Payments	(2.006)	(80.599)
8.1. Dividends	-	(1.667)
8.2. Subordinated liabilities	-	-
8.3. Redemption of own equity instruments	(2.006)	(78.932)
8.4. Acquisition of own equity instruments	-	-
8.5. Other payments related to financing activities	-	-
9. Collections	-	-
9.1. Subordinated liabilities	-	-
9.2. Issuance of own equity instruments	-	-
9.3. Disposal of equity instruments	-	-
9.4. Other collections related to financing activities	-	-
D) EFFECT OF CHANGES IN EXCHANGE RATES	-	-
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	(2.851)	(76.173)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13.542	89.715
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	10.691	13.542
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF YEAR		
1.1. Cash	-	-
1.2. Cash equivalents at central banks	-	-
1.3. Other financial assets	10.691	13.542
1.4. Less: Bank overdrafts refundable on demand	-	-
Total cash and cash equivalents at end of year (Note 5)	10.691	13.542

4. Distribution of the Confederación's profit

The distribution of the Confederación's net profit for 2013 that the Board of Directors will propose for approval by the General Assembly (the figures for 2012 are presented for comparison purposes only) is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Reserves	5,651	1,339
Transfer to welfare fund (Note 29)	3,100	8,000
Net profit for the year	8,751	9,339

5. Business segment

Cecabank, S.A.'s wholesale business, which is carried on in Spain, represents substantially all the Group's activities, of which the retail business accounts for less than 1%. For this reason the Group's non-current assets are located in Spain.

The following information is a detail of the revenue from external customers in 2013 and 2012 divided by geographical areas.

2013:

	THOUSANDS OF EUROS			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 31)	129,662	1	-	129,663
Fee and commission income (Note 34)	104,592	284	242	105,118
Gains /losses on financial assets and liabilities (net) (Note 36)	20,939	-	-	20,939
Other operating income (Note 37)	57,871	43	-	57,914

2012:

	THOUSANDS OF EUROS			
	Spain	Rest of Europe	Rest of the world	Total
Interest and similar income (Note 31)	186,388	3	-	186,391
Fee and commission income (Note 34)	111,006	371	423	111,800
Gains /losses on financial assets and liabilities (net) (Note 36)	6,934	(6)	-	6,928
Other operating income (Note 37)	71,799	73	-	71,872

Note 28 contains information on geographical distribution, by counterparty, of the Group's main activities.

At 31 December 2013 and 2012 and in those years, the Group did not have any single customer which individually accounted for 10% or more of its revenue.

6. Remuneration of directors and senior executives

6.1. Remuneration of directors

The members of the Board of Directors of the Confederación (Parent of the Group) receive an attendance fee for attendance of meetings. The detail for 2013 and 2012 is shown in the table below:

	THOUSANDS OF EUROS	
	2013	2012
Alzamora Carbonell, Fernando	-	4
Ambrosio Orizaola, Enrique Manuel	-	2
Arvelo Hernández, Álvaro	-	2
Bravo Cañadas, Victor Manuel	-	2
Carbonell Tatay, Antonio	13	-
Cifré Rodríguez, Josep	16	16
De Rato Figadero, Rodrigo	-	12
Del Canto Canto, Evaristo	15	20
Egea Krauel, Carlos	17	34
Fainé Casas, Isidro	31	35
Fernández-Velilla Hernández, Juan	-	2
Fernández Gayoso, Julio	-	2
Fernández Pelaz, Mario	19	19
Franco Lahoz, Amado	30	42
García Peña, Francisco Manuel	-	2
Iturbe Otaegui, Xabier	-	3
Medel Cámara, Braulio	30	30
Mestre González, Jordi	-	5
Olivas Martínez, José Luis	-	2
Pemán Gavín, Juan María	10	15
Pulido Gutiérrez, Antonio	-	20
Soriano Cairols, Rafael	3	17
Total	184	286

The fees for the items indicated above in 2013 relating to the representation on the Confederación's Board of Directors of Bankia, S.A., Banco Financiero y de Ahorros, S.A., Liberbank, S.A., Catalunya Banc, S.A. and NCG Banco, S.A., which are paid directly to these entities, amounted to EUR 15 thousand, EUR 3 thousand, EUR 3 thousand, EUR 11 thousand and EUR 7 thousand, respectively.

Additionally, in 2013, the directors were paid fees for attending Standing Committee meetings and representing the Board amounting to EUR 201 thousand (2012: EUR 243 thousand). Note 43 details the Group's other balances with its directors and entities or individuals related to them.

6.2. Remuneration of senior executives and of members of the Board of Directors in their capacity as Group executives

For the purposes of the preparation of these financial statements, the members of the Group' s Management Committee were considered to be senior executives of Cecabank, S.A. as well as the Director of Tax Advice of the Confederación. At 31 December 2013 there were 10 Committee members (31 December 2012: 12 executives).

The remuneration earned in 2013 by senior executives and by the Board members in their capacity as executives of the Confederación amounted to EUR 4,039 thousand (2012: EUR 4,712 thousand) of which EUR 3,678 thousand were related to short-term remuneration earned in 2013 (2012: EUR 4,070 thousand), EUR 361 thousand related to post-employment benefits (2012: EUR 257 thousand), without any layoff in 2013 (2012: EUR 385 thousand).

No additional remuneration was earned by senior executives in 2013 and 2012 in connection with "other long-term benefits", or "share-based payments" as defined by applicable regulation.

At 31 December 2013, the vested pension rights of the senior executives and Board members in their capacity as executives of the Group amounted to EUR 2,261 thousand (31 December 2012: EUR 2,902 thousand).

As for to the former members of the Board of Directors of the Group and the Management Committee (5 members at 31 December 2013 and 3 members at 31 December 2012), during 2013 they received EUR 612 thousand related to Early Retirement Benefits (361 thousand in 2012). Their vested pension rights amounted to EUR 1,083 thousand at 31 December 2013. These amounts are a consequence of the commitment acquired by the Group with employees that accepted the Collective Company Agreement on Early Retirement and Supplementary Employee Welfare Benefits of 2012 and 2011 offered to those employees who met the requirements aforementioned in Note 2.11.3.1.

7. Cash and balances with central banks

The breakdown of the balance of "Cash and Balances with Central Banks" in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Cash	42,601	44,083
Balances with the Bank of Spain	350,799	419,032
	393,400	463,115
Valuation adjustments:		
Of which-		
Accrued Interest	2	-
	2	-
	393,402	463,115

Note 23 includes information on the fair value of these instruments at 31 December 2013 and 2012. Note 26 provides information on the liquidity risk associated with financial instruments, including information on the maturities of these assets.

The balance of "Cash and Balances with Central Banks" at 31 December 2013 and 2012 represents the maximum exposure to credit risk assumed by the Group in relation to these instruments.

At 31 December 2013 and 2012, there were no assets with uncollected past-due amounts or impaired classified under "Cash and Balances with Central Banks".

8. Financial instruments through profit or loss

8.1. Financial assets and liabilities held for trading

8.1.1. Financial assets and liabilities held for trading - Breakdown

Following is a detail of the balances of "Financial Assets/Liabilities Held for Trading" in the consolidated balance sheets at 31 December 2013 and 2012:

	THOUSANDS OF EUROS			
	Asset Balances		Liability Balances	
	2013	2012	2013	2012
Debt instruments	923,365	872,410	-	-
Equity instruments	54,481	51,905	-	-
Trading derivatives-				
Derivatives traded in organized markets	14	-	11	-
OTC derivatives	3,466,761	5,203,970	3,412,515	5,158,066
Short positions	-	-	551,287	434,114
	4,444,621	6,128,285	3,963,813	5,592,180

Note 24 disclose information on the credit risk assumed by the Group in relation to the financial assets, other than equity instruments, included in this category. In addition, Notes 25 and 26 include information on the market and liquidity risks, respectively, associated with the financial instruments included in this category.

Note 23 provides information on the fair value of the financial instruments included in this category. Note 28 includes information on the concentration of risk relating to the financial assets held for trading. Note 27 shows information on the exposure to interest rate risk.

8.1.2. Financial assets and liabilities held for trading - Trading derivatives

Following is a breakdown, by type of risk, of the fair value of the trading derivatives arranged by the Group and of their notional amount (on the basis of which the future payments and collections on these derivatives are calculated) at 31 December 2013 and 2012:

	THOUSANDS OF EUROS					
	2013			2012		
	Fair Value		Notional Amount	Fair Value		Notional Amount
	Asset Balances	Liability Balances		Asset Balances	Liability Balances	
Interest rate risk	3,420,791	3,360,714	93,349,187	5,119,998	5,058,266	119,041,144
Foreign currency risk	45,940	51,610	2,596,351	83,942	97,436	3,159,273
Share price risk	44	202	69,915	30	95	70,963
Credit risk	-	-	-	-	2,269	45,000
	3,466,775	3,412,526	96,015,453	5,203,970	5,158,066	122,316,380

The notional amount of the contracts entered into does not reflect the actual risk assumed by the Group for these contracts, since the net position in these financial instruments is the result of offsetting and/or combining them and of offsetting and/or combining them with other asset or liability positions.

8.1.3. Financial liabilities held for trading - Short positions

The detail, by type of transaction, of the balance of this item in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Classification:		
Borrowed securities-		
Equity instruments	2,231	3,804
Short sales-		
Debt instruments	549,056	430,310
	551,287	434,114

"Short Positions - Short Sales – Debt Instruments" in the foregoing table includes the fair value of the Group's debt instruments purchased under reverse repurchase agreements and, therefore, as such not recognized on the asset side of the consolidated balance sheet, which have been sold and will be repurchased by the Group before maturity of the reverse repurchase agreement in which they are used as collateral, in order for the Group to return them at the maturity date.

8.2. Other financial instruments at fair value through profit or loss

8.2.1. Other financial assets at fair value through profit or loss

This heading includes reverse repurchase agreements arranged by the Group which are managed jointly with repurchase agreements relating to financial assets classified in "Other Financial Liabilities at Fair Value Through Profit or Loss" and with interest rate derivatives and financial instruments classified as held for trading and other available-for-sale financial assets.

The detail, by nature, of the financial assets included in "Other Financial Assets at Fair Value Through Profit or Loss" in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Loans and advances to credit institutions-		
Reverse repurchase agreements	1,218,177	1,797,736
Valuation adjustments-		
Accrued interest	510	251
Revaluation gains	(145)	126
	365	377
	1,218,542	1,798,113
Loans and advances to customers-		
Reverse repurchase agreements	1,122,582	789,395
Valuation adjustments-		
Accrued interest	652	130
Revaluation gains	217	404
	869	534
	1,123,451	789,929
	2,341,993	2,588,042

Note 24 includes information on the Group's exposure to credit risk at 31 December 2013 and 2012 associated with these financial instruments.

Note 23 discloses information on the fair value of these financial instruments at 31 December 2013 and 2012. Note 25 provides information on the exposure to market risk of these financial instruments.

Note 26 contains information on the liquidity risk associated with the financial instruments owned by the Group at 31 December 2013 and 2012, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 28 includes information on the concentration risk relating to these financial instruments at 31 December 2013 and 2012. Note 27 shows information on the Group's exposure to interest rate risk.

In view of the characteristics of the transactions included in this category (reverse repurchase agreements), the counterparties and collateral provided, it is estimated that substantially all the changes in the fair value of these financial instruments in 2013 and 2012 recognized in the consolidated income statement are attributable to market risk and, more specifically, to interest rate risk. The fair value of these assets has been estimated using the current value of their cash flows.

8.2.2. Other financial liabilities at fair value through profit or loss

This heading includes repurchase agreements arranged by the Group which are managed jointly with reverse repurchase agreements relating to financial assets classified in "Other Financial Assets at Fair Value Through Profit or Loss" and with interest rate derivatives and financial instruments classified as held for trading and other available-for-sale financial assets.

The detail, by nature, of the financial liabilities included in "Other Financial Liabilities at Fair Value Through Profit or Loss" in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Deposits from credit institutions-		
Repurchase agreements with credit institutions	1,005,948	1,824,274
Valuation adjustments-		
Accrued interest	30	47
Revaluation gains	(15)	55
	15	102
	1,005,963	**1,824,376**
Customer deposits-		
Repurchase agreements with the Public Treasury	-	779,999
Repurchase agreements to entities with central counterparties	509,530	197,100
Repurchase agreements with other resident sectors in Spain	141,660	86,106
Valuation adjustments-		
Accrued interest	5	11
Revaluation losses	(10)	8
	(5)	19
	651,185	**1,063,224**
	1,657,148	**2,887,600**

In view of the characteristics of these financial liabilities (sales of assets under non-optional repurchase agreements arranged by the Group), the significant changes in the fair value of these financial instruments in 2013 and 2012, and accumulated at 31 December 2013 and 2012 are attributable to market risk (mainly interest rate risk) rather than credit risk. The fair value of these assets has been estimated using the current value of their cash flows.

The amounts shown in the above table, net of their related valuation adjustments for "Revaluation Gains", represent the amortized cost of these liabilities at 31 December 2013 and 2012, which does not differ significantly from the amount that would be payable by the Group if they matured at that date.

Note 23 discloses information on the fair value of the financial liabilities included in this category at 31 December 2013 and 2012. Note 26 provides information on the liquidity risk associated with these financial liabilities.

Note 25 shows certain information on the market risk associated with these financial liabilities and Note 27 contains information on interest rate risk.

9. Available-for-sale financial assets

Following is a detail of the balances of “Available-for-Sale Financial Assets” in the consolidated balance sheets at 31 December 2013 and 2012:

	THOUSANDS OF EUROS	
	2013	2012
Debt instruments-		
Values of Spanish Central Governments	2,763,547	2,809,714
Of which:		
Treasury bills	1,092,244	2,157,502
Government debt securities	1,671,303	652,212
Securities of other Public institutions	287,089	140,885
Other securities	450,026	596,591
	3,500,662	3,547,190
Valuation adjustments-		
Accrued interest	40,017	26,851
Revaluation losses	76,288	(28,446)
Impairment losses	(6,856)	(5,511)
	109,449	(7,106)
	3,610,111	3,540,084
Equity instruments-		
Shares quoted on secondary organized markets	30,844	54,603
Shares not quoted on organized markets	46,559	34,974
	77,403	89,577
Valuation adjustments-		
Revaluation gains	7,585	8,320
Impairment losses	(41,298)	(14,763)
	(33,713)	(6,443)
	43,690	83,134
	43.690	83.134
	3,653,801	3,623,218

Note 23 contains certain information on the fair value of the financial instruments included in this category. Note 24 includes information on the credit risk to which the debt instruments included in this financial instrument category are subject.

Note 25 shows certain information on the market risk to which the Group is exposed in relation to these financial assets. Note 26 discloses certain information on the Group's liquidity risk, including information on the terms to maturity of these financial assets at 31 December 2013 and 2012.

Note 27 shows information on the exposure to interest rate risk. Note 28 includes information on the concentration risk associated to these financial assets.

10. Loans and receivables

10.1. Breakdown

Following is a detail of the financial assets included in "Loans and Receivables" in the consolidated balance sheets at 31 December 2013 and 2012:

	THOUSANDS OF EUROS	
	2013	2012
Loans and advances to credit institutions-		
Time deposits	66,427	116,912
Other accounts	450,443	917,871
Securities lending (*)	2,591	6,580
Other financial assets	58,207	245,768
Doubtful Assets	3,300	-
	580,968	1,287,131
Valuation adjustments-		
Impairment losses	(3,561)	(18)
Accrued interest	68	121
	(3,493)	103
	577,475	**1,287,234**
Loans and advances to customers-		
Deposits for futures transactions and other guarantees given	178,299	130,154
Unsettled stock exchange transactions	46,329	39,134
Mortgage secured loans	49,289	49,294
Unsecured credits and loans	20,680	40,763

Secured credit and loans	15,000	100,000
Other assets	241	691
Doubtful assets	64,764	16,512
	374,602	376,548
Valuation adjustments-		
Impairment losses	(65,627)	(5,623)
Accrued interest	173	182
	(65,454)	(5,441)
	309,148	**371,107**
Debt instruments-		
Issued by Spanish Public Administrations	6,613	8,287
Issued by non-residents in Spain	40,860	70,368
Issued by residents in Spain	39,825	191,055
Doubtful assets	77,939	122,623
	165,237	392,333
Valuation adjustments-		
Impairment losses	(88,140)	(135,980)
Other valuation adjustments (micro-hedge)	329	1,299
	(87,811)	(134,681)
	77,426	**257,652**
	964,049	1,915,993

(*) Relates to the amount delivered by Cecabank, S.A. as security for securities lending transactions (see Note 30.5)

Note 23 provides information on the fair value at 31 December 2013 and 2012 of the financial assets included in this category. Note 24 discloses certain relevant information on the credit risk relating to the financial assets included in this financial instrument category at 31 December 2013 and 2012.

Note 25 includes information on the market risk associated with these financial assets at 31 December 2013 and 2012. Note 26 contains information on the liquidity risk associated with the Group's financial instruments at 31 December 2013 and 2012, including information on the terms to maturity at those dates of the financial assets included in this category.

Note 28 includes information on the concentration risk associated with the financial assets included in this category at 31 December 2013 and 2012. Note 27 shows information on the exposure to interest rate risk.

11. Hedging derivatives

Fair value hedges

The Group has entered into financial derivatives transactions with various counterparties which are considered fair value hedges of certain balance sheet positions against fluctuations in market interest rates.

The Group's hedged consolidated balance sheet positions relate to fixed-rate debt instruments (guaranteed issues, government bonds and treasury bills). These securities are issued by the Spanish government, Spanish private sector financial institutions and other resident sectors.

Given that the positions giving rise to the risk are long-term transactions tied to a fixed interest rate, the main aim of the hedge is to change the returns of the hedged items from fixed to floating and, accordingly, their performance to changes in market interest rates. To this end, the Group uses OTC interest rate derivatives (basically swaps such as call money swaps).

The Group uses call money swaps to hedge each group of debt instruments, which are grouped on the basis of their sensitivity to changes in interest rates, and documents the related efficiency analyses of the hedges to verify that, at inception and throughout the life of these hedges, the Group can expect, prospectively, that the changes in fair value of the hedged items attributable to the hedged risk will be almost fully offset by changes in the fair value of the hedging instruments and, retrospectively, that the actual results of the hedge are within a range of 80% to 125% of the results of the hedged item. The aforementioned hedges are highly effective.

Following is a detail of the fair value of the hedging instruments at 31 December 2013 and 2012:

	THOUSANDS OF EUROS			
	2013		2012	
	Fair value of hedging instruments			
	Asset balances	Liability balances	Asset balances	Liability balances
Hedged instrument				
Loans and receivables	-	524	-	2,747
Available-for-sale assets	216	6,784	-	10,594
	216	7,308	-	13,341

Gains/losses on hedging instruments and hedged items are recognized under "Gains/Losses on Financial Assets and Liabilities (Net)" in the consolidated income statement of the Group (see Note 36).

Cash flow hedges

The balance sheet items hedged by this type of hedging transaction are floating-rate deposits received from financial institutions. The Group used interest rate swaps as hedges, with the aim of hedging changes in cash flows associated with the interest rate risk of these financial liabilities that affect the income statement.

Following is a detail of the Group's derivatives hedging cashflows:

At 31 December 2013:

	2013			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Other operations on interest rates:				
Interest Rates Swaps (IRS)	26	2,596	2,056	67,220
	26	2,596	2,056	67,220

At 31 December 2012:

	2012			
	Debit balances		Credit balances	
	Fair Value	Notional	Fair Value	Notional
Other operations on interest rates:				
Interest Rates Swaps (IRS)	-	-	3,504	77,573
	-	-	3,504	77,573

Following the detail, by estimated maturity date in future years, the notional value of these derivatives at 31 December 2013 and 2012 is as follows:

At 31 December 2013:

	Thousands of Euros			
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
Cashflow Hedges	7,757	15,515	15,515	31,029
Total	7,757	15,515	15,515	31,029

At 31 December 2012:

	MILES DE EUROS			
	Menos de 1 año	Entre 1 y 3 años	Entre 3 y 5 años	Más de 5 años
Cashflow Hedges	7,757	15,515	15,515	38,786
Total	7,757	15,515	15,515	38,786

12. Non-current assets held for sale

The breakdown of the balance of “Non-Current Assets Held for Sale” in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Tangible assets -		
Other residential assets	18,504	84
	18,504	84

The changes in 2013 and 2012 in the items included in this heading in the balance sheet, and the related impairment losses, were as follows:

	THOUSANDS OF EUROS
Cost:	
Balance at 1 January 2012	84
Additions	-
Disposals	-
Balance at 31 December 2012	**84**
Additions	35,442
Disposals	-
Balance at 31 December 2013	**35,526**
Impairment adjustments:	
Balance at 1 January 2012	-
Net charge for impairment losses	-
Balance at 31 December 2012	**-**
Net charge for impairment losses (*)	(17,022)
Balance at 31 December 2013	**(17,022)**
Non-current assets held for sale:	
Balance at 31 December 2012	**84**
Balance at 31 December 2013	18,504

(*)This amount was recognised under "Gains/(Losses) on Non-Current Assets Held for Sale Not Classified as Discontinued Operations" in the income statement for 2013.

In 2013 the Group reclassified the carrying amount of certain buildings owned by it that were classified under "Tangible Assets - Property Plant and Equipment - For Own Use" (EUR 35,442 thousand book value) at 31 December 2012 to "Non-Current Assets Held for Sale".

13. Investments

At 31 December 2013 and 2012 the Group did not have any investments classified as "Associates". There were no changes in this heading of the consolidated balance sheets in 2013 and 2012.

14. Tangible assets

The changes in 2013 and 2012 in "Tangible Assets" in the consolidated balance sheets were as follows:

	Land and buildings	Furniture, fixtures and vehicles	IT equipment and related fixtures	Investment property	Total
	THOUSANDS OF EUROS				
	Property, Plant and Equipment for Own Use				
Cost:					
Balance at 1 January 2012	119,898	47,198	16,813	1,333	185,242
Additions	-	952	288	-	1,240
Disposals	-	(265)	(2,509)	-	(2,774)
Transfers	-	-	-	-	-
Other	-	-	-	-	-
Balance at 31 December 2012	119,898	47,885	14,592	1,333	183,708
Additions	-	790	370	-	1,160
Disposals	-	(140)	(1,365)	-	(1,505)
Transfers (*)	(48,862)	(21,467)	-	-	(70,329)
Other	-	-	-	-	-
Balance at 31 December 2013	71,036	27,068	13,597	1,333	113,034
Accumulated amortization					
Balance at 1 January 2012	(34,181)	(37,831)	(14,500)	(201)	(86,713)
Charge for the year (Note 42)	(2,049)	(2,384)	(1,163)	(36)	(5,632)
Disposals	-	265	2,509	-	2,774
Transfers	-	-	-	-	-
Other	-	-	-	-	-
Balance at 31 December 2012	(36,230)	(39,950)	(13,154)	(237)	(89,571)
Charge for the year (Note 42)	(1,993)	(2,051)	(899)	(36)	(4,979)
Disposals	-	140	1,365	-	1,505
Transfers (*)	15,313	19,574	-	-	34,887
Other	-	-	-	-	-
Balance at 31 December 2013	(22,910)	(22,287)	(12,688)	(273)	(58,158)
Tangible assets, net:					
Net balance at 31 December 2012	83,668	7,935	1,438	1,096	94,137
Net balance at 31 December 2013	48,126	4,781	909	1,060	54,876

(*)This line item includes the carrying amount of various buildings classified under "Tangible Assets - Property Plant and Equipment - For Own Use" at 31 December 2012, which the Group reclassified in 2013 to "Non-Current Assets Held for Sale" in the balance sheet since they meet the requirements established in Bank of Spain Circular 4/2004 for this purpose (see Note 12).

At 31 December 2013, property, plant and equipment for own use totaling (gross) approximately EUR 28,380 thousand (EUR 44,886 thousand at 31 December 2012) had been depreciated in full.

At 31 December 2013 and 2012, the tangible assets owned by the Group were not impaired and there were no changes in this connection in those years.

The rental income earned from investment property owned by the Group amounted to approximately EUR 1,241 thousand in 2013 and EUR 867 thousand in 2012 (see Note 37).

15. Intangible assets

15.1. Intangible assets - Other intangible assets

The balance of "Other Intangible Assets" relates, mainly rights arising from the acquisition of certain depository businesses of collective investment undertaking and pension funds and, to a lesser extent, in full to computer software, developed mainly by the Group, which is amortized by the straight-line method on the basis of its estimated useful life over a period of three to ten years, The breakdown of the balance of "Other Intangible Assets" in the balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Intangible assets with finite useful life	140,591	107,745
Less:		
Accumulated amortization	(39,901)	(12,072)
Impairment losses	(44,810)	(44,810)
Total net	55,880	50,863

At 31 December 2013 the balance of fully amortized intangible assets in use was EUR 27,140 thousand (31 December 2012: EUR 3,703 thousand).

The changes in 2013 and 2012 in "Other Intangible Assets" in the consolidated balance sheets were as follows:

	THOUSANDS OF EUROS
Cost:	
Balance at 1 January 2012	5,808
Additions	101,953
Disposals	(16)
Balance at 31 December 2012	**107,745**
Additions	32,846
Disposals	-
Balance at 31 December 2013	**140,591**
Accumulated amortization:	
Balance at 1 January 2012	(3,290)
Charge for the year (Note 42)	(8,798)
Disposals	16
Balance at 31 December 2012	**(12,072)**
Charge for the year (Note 42)	(27,829)
Disposals	-
Balance at 31 December 2013	**(39,901)**
Impairment Losses:	
Balance at 1 January 2012	-
Charge for the year (*)	(44,810)
Balance at 31 December 2012	**(44,810)**
Charge for the year	-
Balance at 31 December 2013	**(44,810)**
Intangible assets, net:	
Net balance at 31 December 2012	**50,863**
Net balance at 31 December 2013	**55,880**

(*) This amount is collected under the heading of the Income Statement of 31 December 2012 "Impairment losses on other assets (net) - Goodwill and other intangible assets".

16. Other assets and liabilities

The breakdown of the balance of “Other Assets” and “Other Liabilities” in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Other assets		
Prepayments and accrued income		
Fees and commissions receivable	7,370	6,750
Commissions for guarantees received	376	8,395
Prepayments	115	100
Other assets-	893	201
Transactions in transit	5,458	5,433
Other	4,786	11,285
	18,998	32,164
Other liabilities		
Accrued expenses and deferred income		
Fees and commissions payable	3,487	2,809
Accrued expenses	56,085	48,320
Accrued revenues	1,625	121
Other liabilities-		
Transactions in transit	111,658	366,203
Other	3,303	17,716
	176,158	435,169

“Prepayments and Accrued Income – Fees and Commissions Receivable” includes the accrued commissions receivable by the Group in relation to various services provided, basically in relation to the payment methods business and the custody business for collective investment undertakings and pension funds.

“Other Assets - Transactions in Transit” and “Other liabilities – Transactions in Transit” mainly include temporary balances which relate basically to securities underwriting transactions and other unsettled OTC transactions within the Securities Clearing and Settlement Service (SCSS).

17. Financial liabilities at amortized cost

17.1. Breakdown

The detail of the items composing the balance of “Financial Liabilities at Amortized Cost” in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Deposits from central banks	1,300,000	1,300,000
Deposits from credit institutions	1,195,468	2,026,035
Customer deposits	2,359,407	1,528,128
Other financial liabilities	274,273	187,809
	5,129,148	5,041,972
Valuation adjustments	21,912	11,910
	5,151,060	5,053,882

Note 23 presents information on the fair value of these financial liabilities. Note 26 presents information on the residual maturity periods of these liabilities in relation to the liquidity risk associated with the Group’s financial instruments.

17.2. Financial liabilities at amortized cost - Deposits from central banks

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Deposits from Bank of Spain	1,300,000	1,300,000
Valuation adjustments - accrued interest	19,356	9,497
	1,319,356	1,309,497

17.3. Financial liabilities at amortized cost - Deposits from credit institutions

The breakdown, by geographical area of residence of the counterparty and type of instrument, of the balance of this item in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
By geographical location:		
Spain	1,040,367	1,844,230
Other EMU countries	42,933	174,542
Rest of the world	112,258	7,225
	1,195,558	2,025,997
By type of instrument:		
Demand deposits and other-		
Other accounts	1,027,916	1,919,059
Time deposits-		
Time deposits	164,683	100,895
Repurchase agreements	2,869	6,081
	1,195,468	2,026,035
Valuation adjustments:	90	(38)
	1,195,558	2,025,997

17.4. Financial liabilities at amortized cost - Customer deposits

The breakdown, by geographical area of residence of the counterparty, type of instrument and type of counterparty, of the balance of this item in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
By geographical location:		
Spain	1,918,403	1,380,767
Other EMU countries	441,433	149,812
Rest of the world	2,037	-
	2,361,873	1,530,579
By counterparty:		
Resident public sector	176,307	107,251
Non-resident public sector	920	1,171
Other resident sectors	1,739,739	1,271,399
Other non-resident sectors	42,441	48,307
Central counterparties	400,000	100,000
	2,359,407	1,528,128
Valuation adjustments	2,466	2,451
	2,361,873	1,530,579
By type of instrument:		
Current accounts	1,753,998	1,275,101
Other demand deposits	50,525	61,259
Fixed-term deposits	554,884	191,099
Repurchase agreements	-	669
	2,359,407	1,528,128
Valuation adjustments	2,466	2,451
	2,361,873	1,530,579

17.5. Financial liabilities at amortized cost - Other financial liabilities

The breakdown of the balance of this item in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Payment obligations	11,340	8,390
Collateral received	326	234
Tax collection accounts	9,286	9,483
Special accounts	26,079	27,675
Other	227,242	142,027
	274,273	187,809

The balance of "Special Accounts" in the foregoing table includes, among other items, unsettled securities underwriting transactions and other unsettled transactions performed in organized markets totaling EUR 25,718 thousand at 31 December 2013 (31 December 2012: EUR 27,662 thousand).

The balance of "Other" in the above table includes EUR 170,406 thousand at 31 December 2013 (31 December 2012: EUR 74,538 thousand) relating the means of payments operating procedures of certain credit institutions done through the Group. The related balances are transitory and are settled on the first business day following the date on which they arose.

18. Provisions

18.1. Provisions (net)

The detail, according to the purpose of the net provisions recognized, of this item in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS Net Additions/(Reversals) 2013	2012
Additions to/ (Reversal of) provisions for pensions and similar obligations (Note 38)	23,146	41,286
Additions to/ (Reversal of) provisions for contingent liabilities and commitments (Note 18.2)	(54,742)	54,741
Additions to/ (Reversal of) other provisions (Note 18.2)	10,164	(50,808)
	(21,432)	45,219

18.2. Provisions - Provisions for contingent liabilities and commitments and other provisions

The changes in 2013 and 2012 in the balances of these items in the consolidated balance sheets at 31 December 2013 and 2012 were as follows:

	THOUSANDS OF EUROS Provisions for Contingent Liabilities and Commitments (Notes 2.10 and 24)	Other Provisions
Balances at 1 January 2012	17	140,818
Net addition/ (reversal) charged/ (credited) to income (Note 18.1)	54,741	(50,808)
Amounts used	-	(1)
Balances at 31 December 2012	54,758	90,009
Net addition/ (reversal) charged/ (credited) to income (Note 18.1)	(54,742)	10,164
Other	-	(1,566)
Balances at 31 December 2013	16	98,607

The balance of "Other Provisions" in the foregoing table includes the amounts allocated by the Group to cover certain liabilities and contingencies arising from its business activities, relating mainly to the securities depository activity carried out by the Group with certain guarantees provided to securitisation funds.

The recovery shown in the foregoing table in 2013, amounting to EUR 54,742 thousand, relates to the provisions recognised in 2012 on drawable balances, in accordance with their contractual conditions, on certain securitisation funds considered to be doubtful receivables. In 2013, once this amount was drawn on these securitisation funds, and the drawable balances were converted into balances drawn down, the Group released the provisions for contingent commitments recognised in 2012 by recognising a credit in the 2013 income statement. The Group also recognised the related impairment losses for these financial assets relating to the financing granted to these counterparties, as a result of having drawn down the aforementioned drawable balances in 2013, with a charge, for the same amount, to "Impairment Losses on Financial Assets (Net) - Loans and Receivables" in the 2013 income statement. Accordingly, no net gain or loss was generated for the Group in this connection in 2013, (see Note 24.8).

19. Valuation adjustments

19.1. Valuation adjustments - Available-for-sale financial assets

This item in the consolidated balance sheets at 31 December 2013 and 2012 includes the amount, net of the related tax effect, of changes in the fair value of assets classified as available-for-sale assets, since the purchase (see Note 9) which, as stated in Note 2, should be recognized in the Group's consolidated equity; these changes are recognized in the consolidated income statements when the assets which gave rise to them are sold or when these assets become impaired. The accompanying statements of recognized income and expense show the changes in 2013 and 2012, in this item in the balances sheet.

19.2. Valuation adjustments – Cash flow hedges

This item in the consolidated balance sheet includes the net amount of the changes in value of financial derivatives designated as hedging instruments in cash flow hedges, in respect of the portion of these changes considered to be effective hedges (see Note 2). The statement of changes in equity includes the changes in the consolidated balances recognized in this balance sheet line item in 2013 and 2012.

19.3. Valuation adjustments – Other Valuation adjustments

This heading in the balance sheets at 31 December 2013 and 2012 included the net cumulative amount, adjusted for the related tax effect, of the actuarial gains and losses arising from the measurement of the provision for defined benefit pension obligations (see Notes 2.11.2 and 38). The accompanying statement of changes of equity shows the changes in 2013 and 2012 in this item in the balance sheets at 31 December 2013 and 2012.

20. Own funds

20.1. Non-voting equity units and associated funds

As part of the spin-off process taken in 2012 (see Note 1.1), on 13 November 2012, the Confederación repurchased the non-voting equity units issued in 1988 which were recognized in equity in its consolidated balance sheet at 31 December 2011. It made an offer to the holders of these non-voting equity units, the acceptance of which would give rise to a simultaneous, irrevocable commitment to subscribe ordinary shares of Cecabank, S.A. for a cash amount equal to that of the repurchased non-voting equity units. The repurchase offer amounted to EUR 81,089 thousand, i.e. EUR 16,217.83 per non-voting equity unit. Since most of the holders of the non-voting equity units accepted this offer and, as a result, became shareholders of Cecabank, S.A., the amount recognized under “Own Funds - Other Equity Instruments - Non-Voting Equity Units and Associated Funds” in the Confederación’s consolidated equity at 31 December 2012 mounted EUR 799 thousand after the repurchase, relating to the non-voting equity units that had not been redeemed to the date.

In 2013 all the non-voting equity units remaining following the exchange mentioned in the preceding paragraph were repurchased by the Confederación and were subsequently retired. As a result, no balance was recognised under this line item in the consolidated balance sheet at 31 December 2013. The difference between the carrying amount of these non-voting equity units (EUR 799 thousand) and their repurchase price (EUR 2,006 thousand) amounted to EUR 1,207 thousand, which was recognised with a charge to the Group's reserves.

The repurchase price of the non-voting equity units acquired in 2013 by the Confederación for subsequent retirement was the same as that applied in the repurchases carried out in 2012, i.e. EUR 16,217.83 for each of the 133 non-voting equity units acquired. A 7% discount was applied to this amount for making the payment in cash. Following this repurchase transaction, in 2013, the former owner of these non-voting equity units acquired in 2013, Unnim Banc, S.A., ceased to be a member entity of the Confederación.

20.2. Reserves - Accumulated reserves (losses)

The detail, by entity, of the balances of "Accumulated Reserves (Losses)" relating to fully and proportionately consolidated entities in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Confederación	**664,636**	**655,050**
Cecabank, S.A.	15,800	-
Caja Activa, S.A.	-	176
CEA Trade Services Limited	-	-
Reserves at subsidiaries	**15,800**	**176**
Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A.	1,334	1,396
Reserves at jointly controlled entities	**1,334**	**1,396**
Accumulated reserves (losses)	681,770	656,622

21. Non-controlling interest

The detail by company of the heading of the consolidated balance sheet of 31 December 2013 and 2012, "Non-controlling interest" and the profit/loss belonging to the external partners for years 2013 and 2012 is presented below:

	THOUSANDS OF EUROS			
	2013		2012	
	Non-controlling interest	Profit attributed to minority	Non-controlling interest	Profit attributed to minority
Cecabank, S.A.	93,181	5,708	82,331	3,592
	93,181	5,708	82,331	3,592

The movement that has taken place in this section of the consolidated balance sheet in years 2013 and 2012 is summarized as follows:

	THOUSANDS OF EUROS	
	2013	2012
Beginning balance	82,331	-
Capital increases	-	78,932
Dividends paid to minority shareholders	(1,212)	(490)
Profit or loss	5,708	3,592
Valuation Adjustments for actuarial profit/losses	223	297
Other Valuation Adjustments	6,305	-
Other Adjustments	(174)	-
Ending balance	93,181	82,331

22. Tax matters

The Confederación is the parent company of the Tax Consolidation Group number 508/12, Cecabank, S.A. being the only subsidiary. The remaining Group companies file individual income tax returns in accordance with the applicable tax regulations.

22.1. Years open for review by the tax authorities

Pursuant to current legislation, tax settlements cannot be deemed to be definitive until they have been reviewed by the tax authorities or until the related statute-of-limitations period has expired.

Accordingly, at 31 December 2013, the Group had open for review by the tax authorities the taxes to which their business activities are subject, and for which at that date, had not passed within four years from the end of his term voluntary declaration.

Because of the varying interpretations that can be made of the tax legislation, the outcome of any reviews of the open years by the tax authorities might give rise to tax liabilities which cannot be objectively quantified at the present time. However, the tax advisers and directors of the Group consider that the possibility of material liabilities arising in this connection additional to those already recognized is remote.

22.2. Income tax

The detail of "Income Tax" in the consolidated income statements for 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Income tax expense for the year	19,595	10,909
Prior years' and other adjustments	(68)	(529)
	19,527	10,380

22.3. Reconciliation of accounting profit to taxable profit

The reconciliation of the income tax expense recognized for 2013 and 2012 to the consolidated accounting profit before tax multiplied by the tax rate applicable to the Group, and the income tax charge recognized at 31 December 2013 and 2012 are as follows:

	THOUSANDS OF EUROS	
	2013	2012
Accounting profit before tax	70,656	48,617
Tax rate	30%	30%
	21,197	14,585
Permanent differences:		
Increases	419	196
Decreases	(930)	(2,250)
Total	**20,686**	**12,531**
(Tax credits)/(Tax relief)	(1,091)	(1,622)
Income tax expense for the year	**19,595**	**10,909**
Temporary differences:		
Increases	41,380	53,957
Decreases	(27,821)	(36,810)
Tax withholdings and prepayments	(29,652)	(27,185)
Income tax charge for the year (1)	3,502	871

(1) This amount is recognized under "Tax Liabilities - Current" in the consolidated balance sheets at 31 December 2013 and 2012.

The permanent decreases in the taxable profit in the foregoing table include, among other items, the deduction of EUR 3,100 thousand relating to the amounts the Confederación assigned to welfare projects in 2013 (2012: EUR 8,000 thousand) (see Note 4).

"Tax Credits/Tax Relief" in the foregoing table includes, inter alia, tax credits for double taxation of dividends regulated by the Consolidated Spanish Corporation Tax Law.

The detail of the income tax charge for 2013 and 2012, distinguishing by items recognised in the income statement and in the Group's equity, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Income tax due, charged to income tax expense for the year	3,502	871
Income tax due, charged to equity	-	1,163
	3,502	2,034

22.4. Tax recognized in equity

The income tax expense recognized directly in the Group's equity in 2013 and 2012 gave rise to a net charge on both exercises of EUR 25,621 thousand and of EUR 1,720 thousand, respectively, to "Valuation Adjustments".

22.5. Deferred taxes

Pursuant to the tax legislation in force, in 2013 and 2012 and previous years certain temporary differences arose that must be taken into account when quantifying the related income tax expense. The deferred taxes recognized in the consolidated balance sheets at 31 December 2013 and 2012 were as follows:

	THOUSANDS OF EUROS	
	2013	2012
Deferred tax assets arising from:		
Additions and contributions to pension provisions and funds and other long-term obligations to employees	18,168	12,108
Additions to provisions	28,927	26,421
Impairment losses	67,166	67,614
Available-for-sale debt instruments	1,128	4,007
Available-for sale equity instruments portfolio	-	322
Tax effect of losses in hedging derivatives	466	2,871
Other	3,529	2,036
	119,384	115,379

	THOUSANDS OF EUROS	
	2013	2012
Deferred tax liabilities arising from:		
Revaluation of property	12,302	17,718
Available-for-sale equity instruments	-	2,818
Available-for-sale debt instruments	24,828	2,872
	37,130	23,408

22.6. Tax credit for reinvestment of extraordinary benefits

The amount of the income qualifying for the reinvestment tax credit and deductions for each year is as follows:

Year	THOUSANDS OF EUROS		
	Income qualifying	Rent accredited	Tax credit
2010 (*)	10,681	4,448	534
2011 (*)	846	1,820	218
2012	-	5,259	631
	11,527	11,527	1,383

(*) Income qualified and Rent accredited by the Confederación before the 2012 spin-off.

23. Fair value

23.1. Fair value of financial assets and liabilities

The fair value of the Group's financial instruments at 31 December 2013 and 2012 is broken down, by class of financial asset and liability, into the following levels in these consolidated financial statements:

- LEVEL 1: financial instruments whose fair value is determined by reference to their quoted price in active markets, without making any change to these assets.
- LEVEL 2: financial instruments whose fair value is estimated by reference to quoted prices in organized markets for similar instruments or using other valuation techniques in which all the significant inputs are based on directly or indirectly observable market data.
- LEVEL 3: instruments whose fair value is estimated using valuation techniques in which certain significant inputs are not based on observable market data.

For the purposes of Levels 2 and 3, the prices were obtained using standard quantitative models fed by market data, which are either directly observable or can be calibrated or calculated using observable data. The most widely used models are the Black, Libor Market and Hull-White models for interest rates, the Black&Scholes model for equities, and the FX and the Jarrow-Turnbull and LHP models for credit products; the most common observable data are the interest rate, exchange rate and certain implied volatilities, and the most widely used non-observable data are implied correlations, certain implied volatilities and issuer curve spreads.

The fair value of the Group's financial instruments at 31 December 2013 and 2012, broken down as indicated above, is as follows:

Financial assets – fair value at 31 December 2013-

	THOUSANDS OF EUROS											
	Cash and Balances with Central Banks (Note 7)		Financial Assets Held for Trading (Note 8.1)		Other Financial Assets at Fair Value Through Profit or Loss (Note 8.2)		Available-for-sale Financial Assets (Note 9)		Loans and Receivables (Note 10)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:												
Debt Instruments	-	-	922,585	922,585	-	-	3,526,654	3,526,654	-	-	-	-
Equity instruments	-	-	54,481	54,481	-	-	19,468	19,468	-	-	-	-
Derivatives	-	-	14	14	-	-	-	-	-	-	-	-
	-	-	977,080	977,080	-	-	3,546,122	3,546,122	-	-	-	-
Level 2:												
Cash and balances with central banks	393,402	393,402	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	1,218,542	1,218,542	-	-	577,475	577,475	-	-
Loans and advances to customers	-	-	-	-	1,123,451	1,123,451	-	-	309,148	309,148	-	-
Debt instruments	-	-	780	780	-	-	83,457	83,457	77,426	77,426	-	-
Equity instruments	-	-	-	-	-	-	24,222	24,222	-	-	-	-
Trading derivatives	-	-	3,466,761	3,466,761	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	242	242
	393,402	393,402	3,467,541	3,467,541	2,341,993	2,341,993	107,679	107,679	964,049	964,049	242	242
Level 3:												
Debt instruments	-	-	-	-	-	-	-	-	-	8	-	-
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	8	-	-
	393,402	393,402	4,444,621	4,444,621	2,341,993	2,341,993	3,653,801	3,653,801	964,049	964,057	242	242

Financial liabilities – fair value at 31 December 2013-

	THOUSANDS OF EUROS							
	Financial Liabilities Held for Trading (Note 8.1)		Other Financial Liabilities at Fair Value Through Profit or Loss (Note 8.2)		Financial Liabilities at Amortized Cost (Note 17)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:								
Trading derivatives	11	11	-	-	-	-	-	-
Short positions	551,287	551,287	-	-	-	-	-	-
	551,298	551,298	-	-	-	-	-	-
Level 2:								
Deposits from central banks	-	-	-	-	1,319,356	1,319,356	-	-
Deposits from credit institutions	-	-	1,005,963	1,005,963	1,195,558	1,195,558	-	-
Customer deposits	-	-	651,185	651,185	2,361,873	2,361,873	-	-
Trading derivatives	3,412,515	3,412,515	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	274,273	274,273	-	-
Hedging derivatives	-	-	-	-	-	-	9,364	9,364
	3,412,515	3,412,515	1,657,148	1,657,148	5,151,060	5,151,060	9,364	9,364
Level 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	3,963,813	3,963,813	1,657,148	1,657,148	5,151,060	5,151,060	9,364	9,364

Financial assets – fair value at 31 December 2012-

	THOUSANDS OF EUROS											
	Cash and Balances with Central Banks (Note 7)		Financial Assets Held for Trading (Note 8.1)		Other Financial Assets at Fair Value Through Profit or Loss (Note 8.2)		Available-for-sale Financial Assets (Note 9)		Loans and Receivables (Note 10)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:												
Debt instruments	-	-	870,528	870,528	-	-	3,343,759	3,343,759	-	-	-	-
Equity instruments	-	-	51,905	51,905	-	-	39,827	39,827	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	922,433	922,433	-	-	3,383,586	3,383,586	-	-	-	-
Level 2:												
Cash and balances with central banks	463,115	463,115	-	-	-	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	-	-	-	1,798,113	1,798,113	-	-	1,287,234	1,287,234	-	-
Loans and advances to customers	-	-	-	-	789,929	789,929	-	-	371,107	371,107	-	-
Debt instruments	-	-	1,882	1,882	-	-	196,325	196,325	257,652	336,110	-	-
Equity instruments	-	-	-	-	-	-	43,307	43,307	-	-	-	-
Trading derivatives	-	-	5,203,970	5,203,970	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-
	463,115	463,115	5,205,852	5,205,852	2,588,042	2,588,042	239,632	239,632	1,915,993	1,994,451	-	-
Level 3:												
Debt instruments	-	-	-	-	-	-	-	-	-	11	-	-
Equity instruments carried at cost	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	11	-	-
	463,115	463,115	6,128,285	6,128,285	2,588,042	2,588,042	3,623,218	3,623,218	1,915,993	1,994,462	-	-

Financial liabilities – fair value at 31 December 2012-

	THOUSANDS OF EUROS							
	Financial Liabilities Held for Trading (Note 8.1)		Other Financial Liabilities at Fair Value Through Profit or Loss (Note 8.2)		Financial Liabilities at Amortized Cost (Note 17)		Hedging Derivatives (Note 11)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Level 1:								
Trading derivatives	-	-	-	-	-	-	-	-
Short positions	434,114	434,114	-	-	-	-	-	-
	434,114	434,114	-	-	-	-	-	-
Level 2:								
Deposits from central banks	-	-	-	-	1,309,497	1,309,497	-	-
Deposits from credit institutions	-	-	1,824,376	1,824,376	2,025,997	2,025,997	-	-
Customer deposits	-	-	1,063,224	1,063,224	1,530,579	1,530,579	-	-
Trading derivatives	5,158,066	5,158,066	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	187,809	187,809	-	-
Hedging derivatives	-	-	-	-	-	-	16,845	16,845
	5,158,066	5,158,066	2,887,600	2,887,600	5,053,882	5,053,882	16,845	16,845
Level 3:								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-	-
Trading derivatives	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total	5,592,180	5,592,180	2,887,600	2,887,600	5,053,882	5,053,882	16,845	16,845

It should be mentioned, with respect to the fair values included in the foregoing tables, that:

- The fair value of the loans and advances to credit institutions and the loans and advances to customers classified under "Loans and Receivables" in the foregoing tables is the same as their carrying amount since, in view of their features (counterparties, interest rates and maturities), their fair value is not significantly different from their amortized cost.
- The fair value of the asset balances relating to cash and balances with central banks shown in the foregoing tables was estimated to be the same as their carrying amount, since it was considered that the fair value of these items was not significantly different from their carrying amount.
- The fair value of the liabilities classified as financial liabilities at amortized cost in the foregoing tables was the same as their carrying amount, since it was considered that, in view of the maturities and interest rates of these liabilities, their fair value was not significantly different from their amortized cost.

Following is a detail of the changes in fair value of the Group's financial instruments in respect of unrealized gains and losses at 31 December 2013 and 2012 which were recognized in the consolidated financial statements for 2013 and 2012. The fair value of these financial instruments is calculated applying a valuation technique in which variables are obtained from observable market data (Level 2) or using valuation techniques in which certain significant inputs are not based on observable market data (Level 3):

	THOUSANDS OF EUROS	
	2013	2012
	Net Gain/ (Loss)	Net Gain/ (Loss)
Level 2		
Financial assets held for trading-		
- Derivatives	(1,737,209)	125,964
- Debt instruments	7	19
Other financial assets at fair value through profit or loss		
- Loans and advances to credit institutions	(297)	(62)
- Loans and advances to customers	(187)	589
Financial liabilities held for trading		
- Derivatives	1,745,551	(140,811)
Hedging derivatives (asset balances)	285	-
Hedging derivatives (liability balances)	4,422	8,036
Other financial liabilities at fair value through profit or loss		
- Deposits from central banks	-	-
- Deposits from credit institutions	69	(68)
- Customer deposits	17	2,428
Loans and receivables		
- Debt instruments	-	-
Available-for-sale financial assets		
- Debt instruments	-	-
- Equity instruments	-	-
	12,658	(3,905)
Level 3		
Financial assets held for trading-	-	-
- Debt instruments	-	-
	-	-

23.2. Fair value of tangible assets

The only tangible assets classified as for own use and real estate investments owned by the Group whose carrying amount differs significantly from their fair value are the properties owned by it. At 31 December 2013, the carrying amount of these properties amounted to EUR 49,186 thousand (31 December 2012: EUR 84,764 thousand) and their estimated fair value at that date was EUR 50,469 thousand (31 December 2012: EUR 145,106 thousand).

Buildings classified as Non-current assets held for sale fair value, show no relevant differences with their book value.

The aforementioned fair value was estimated by Instituto de Valoraciones, S.A., using generally accepted valuation techniques.

24. Exposure to credit risk associated with financial instruments

24.1. Credit risk management objectives, policies and processes

Credit risk is defined as the risk that affects, or might affect, results or capital as a result of non-compliance by a borrower with its contractual obligations, or of the borrower failing to act as agreed. This category includes:

- Principal risk: the risk of loss of the principal delivered.
- Replacement cost or counterparty risk: this relates to the counterparty's ability and intention to meet its contractual obligations on maturity. Credit risk exists throughout the term of the transaction, but it can vary during it due to the settlement mechanisms involved and to changes in the marking to market.
- Issuer risk: this risk arises when trading the financial assets of an issuer as a result of a change in the market perception of the issuer's economic and financial strength.
- Settlement or delivery risk: the risk that one of the parties to the transaction fails to deliver the agreed-upon consideration.
- Country risk: it is the credit risk associated with debts held by debtors in a given country due to circumstances other than normal commercial risk. It may take the form of transfer risk, sovereign risk or other risks arising from international financial activity.
- Concentration risk: measures the extent of the concentration of credit risk exposure to a specific geographical area/country, economic sector, product and customer group.
- Residual risk: includes risk derived from hedging strategies, credit risk mitigation techniques, securitization, etc.

The Group has established certain procedures for the correct management of credit risk, the main features of which are as follows:

Credit risk analysis

At the Group, the process of assessing the credit quality of counterparties is closely linked with the assignment of limits. Thus, the Group assigns internal ratings to the various potential counterparties. This internal rating contributes to the establishment of the maximum risk to be assumed with each entity. It also constitutes the basis for the acceptance and monitoring of risk.

The rating is the result of an analysis of various quantitative and qualitative factors which are assessed independently and receive a specific weighting for the calculating of the final rating. The final rating results from an independent assessment performed by the Group's analysts, which brings together the perception of the credit quality of the entities with which the Group wishes to transact business.

Credit risk monitoring and control

Credit risk is monitored through active portfolio management. The main aim is to detect, sufficiently in advance, any counterparties whose creditworthiness might be deteriorating. Systematic monitoring allows the whole of the portfolio to be classified into standard risk counterparties and counterparties under special surveillance. All the counterparties belonging to the latter category are assigned a specific policy regarding the action to be taken, which ranges from simply reviewing any changes in their creditworthiness to ceasing all transactions with this counterparty, and a period for the reviewing the assigned policy.

As in risk analysis, ratings constitute an extra element for the risk monitoring process together with other variables including the country and type of business, among others.

In addition, as part of the monitoring of the credit risk, the adequacy of the contractual documentation supporting these operations is actively managed and monitored in conjunction with the Legal Department.

The control process comprises all the activities relating to the permanent checking of compliance with the established credit, counterparty and settlement risk limits, the management and reporting of overruns and the maintenance and update of parameterizations of products, customers, countries, economic groups, ratings, contractual offsetting agreements and financial guarantees in the control tools.

Risk limit structure

The Group's general credit risk limit structure is divided into two major groups. On one hand, there are the limits individually assigned to a counterparty. There are also a series of limits associated with certain activities, among others, as country risk limits and operating limits for private-sector fixed-income securities and equity securities.

Credit Risk Measurement Methodology

The Group calculates credit risk exposure by applying the standardized approach provided in current regulations. As a general rule, it is calculated as the sum of the current exposure or market value (mark-to market) plus an add-on to reflect potential future exposure.

The management tools provide real-time information on the utilization of credit risk limits for each counterparty and economic group, thus facilitating the ongoing monitoring of any change and/or overrun of these limits.

In accordance with current legislation, the existence of guarantees and collateral reduces the credit risk of transactions for which they are provided.

Concentration risk

With regard to credit risk, concentration risk is an essential management tool. The Group constantly monitors the extent of its credit risk concentration under various salient classifications: country, rating, sector, economic group, guaranties, etc.

The Group uses a conservative risk criteria for the management of concentration risk which enable it to manage the available limits sufficiently comfortably with respect to the legally established concentration limits.

At 31 December 2013, all of the CECA Group's most significant risk exposure was at very low levels.

Note 28 presents information about the Group's geographic concentration risk at 31 December 2013 and 2012.

Regarding the high level of industry concentration, it is due to the Group's focus in conducting many activities, operations and services within the banking business in general, or indirectly related to it. Also, the risks in the financial services industry account for more than 90% of the total risk exposure (excluding public institutions exposure), although when evaluating this level of industry concentration it should be taken into account that this exposure is to a highly regulated and supervised segment.

24.2. Maximum credit risk exposure level

The following tables show the maximum level of exposure to credit risk assumed by the Group at 31 December 2013 and 2012 by class and category of financial instrument, without deducting the collateral or other guarantees received by the Group to ensure debtors meet their obligations:

31 December 2013:

	THOUSANDS OF EUROS						
	ASSETS						
	Financial Assets at Fair Value Through Profit or Loss						
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
1.Debt instruments-							
1.1Loans and advances to credit institutions	**-**	**1,218,177**	**-**	**580,968**	**-**	**-**	**1,799,145**
- Reverse repurchase agreements	-	1,218,177	-	-	-	-	1,218,177
- Time deposits	-	-	-	66,427	-	-	66,427
- Guarantee deposits on securities lending transactions	-	-	-	2,591	-	-	2,591
- Doubtful assets	-	-	-	3,300	-	-	3,300
- Other accounts and other	-	-	-	508,650	-	-	508,650
1.2 Debt instruments	**923,365**	**-**	**3,500,662**	**165,237**	**-**	**-**	**4,589,264**
- Government debt securities	764,671	-	1,671,303	6,613	-	-	2,442,587
- Treasury bills	-	-	1,092,244	-	-	-	1,092,244
- Other public institutions	50,297	-	287,089	-	-	-	337,386
- Non-residential public institutions	101	-	-	-	-	-	101
- Spanish credit institutions	46,368	-	193,657	39,825	-	-	279,850
- Non-resident credit institutions	-	-	23,893	-	-	-	23,893
- Private sector (Spain)	61,928	-	224,006	-	-	-	285,934
- Private sector (rest of the world)	-	-	8,470	40,860	-	-	49,330
- Doubtful assets	-	-	-	77,939	-	-	77,939

(1) For the abovementioned instruments maximum credit risk exposure, fair value at 31 December 2013 has been used.

Page 2 of 2

	THOUSANDS OF EUROS						
	ASSETS						
	Financial Assets at Fair Value Through Profit or Loss						
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
1.3 Loans and advances to customers	**-**	**1,122,582**	**-**	**374,602**	**-**	**-**	**1,497,184**
Reverse repurchase agreements	-	1,122,582	-	-	-	-	1,122,582
Mortgage loans	-	-	-	49,289	-	-	49,289
Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-
Other loans and credits	-	-	-	35,680	-	-	35,680
Doubtful assets	-	-	-	64,764	-	-	64,764
Other assets	-	-	-	224,869	-	-	224,869
Total debt instruments	923,365	2,340,759	3,500,662	1,120,807	-	-	7,885,593
2.Contingent liabilities -							
Financial guarantees	-	-	-	-	-	-	-
Documentary credits (Note 30.1)	-	-	-	-	-	20,233	20,233
Total contingent liabilities	-	-	-	-	-	20,233	20,233
3.Other exposures -							
Derivatives	3,466,775	-	-	-	242	-	3,467,017
Contingent commitments (Note 30.3)	-	-	-	-	-	119,096	119,096
Total other exposures	3,466,775	-	-	-	242	119,096	3,586,113
4.Less: recognized impairment losses	**-**	**-**	**(6,856)**	**(157,328)**	**-**	**(16)**	**(164,200)**
Maximum credit risk exposure level (1+2+3+4)	**4,390,140**	**2,340,759**	**3,493,806**	**963,479**	**242**	**139,313**	**11,327,739**
Valuation adjustments	-	1,234	116,305	570	-	-	118,109
Total accounting balance	4,390,140	2,341,993	3,610,111	964,049	242	139,313	11,445,848

(1) For the abovementioned instruments maximum credit risk exposure, fair value at 31 December 2013 has been used.

31 December 2012:

	THOUSANDS OF EUROS						
	ASSETS						
	Financial Assets at Fair Value Through Profit or Loss						
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
1. Debt instruments-							
1.1 Loans and advances to credit institutions	**-**	**1,797,736**	**-**	**1,287,131**	**-**	**-**	**3,084,867**
- Reverse repurchase agreements	-	1,797,736	-	-	-	-	1,797,736
- Time deposits	-	-	-	116,912	-	-	116,912
- Guarantee deposits on securities lending transactions	-	-	-	6,580	-	-	6,580
- Doubtful assets	-	-	-	-	-	-	-
- Other accounts and other	-	-	-	1,163,639	-	-	1,163,639
1.2 Debt instruments	**872,410**	**-**	**3,547,190**	**392,333**	**-**	**-**	**4,811,933**
- Government debt securities	811,267	-	652,212	8,287	-	-	1,471,766
- Treasury bills	-	-	2,157,502	-	-	-	2,157,502
- Other public institutions	26,377	-	140,885	-	-	-	167,262
- Spanish credit institutions	33,238	-	280,004	191,055	-	-	504,297
- Non-resident credit institutions	-	-	-	-	-	-	-
- Private sector (Spain)	1,528	-	307,639	70,368	-	-	379,535
- Private sector (rest of the world)	-	-	8,948	-	-	-	8,948
- Doubtful assets	-	-	-	122,623	-	-	122,623

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2012.

Page 2 of 2

	THOUSANDS OF EUROS						
	ASSETS						
	Financial Assets at Fair Value Through Profit or Loss						
	Financial Asset Held for Trading (Note 8.1) (1)	Other Assets (Nota 8.2)	Available-for-Sale financial Assets (Note 9)	Loans and Receivables (Note 10)	Hedging Derivatives (Note 11)	Memorandum Items	Total
1.3 Loans and advances to customers	-	789,395	-	376,548	-	-	1,165,943
- Reverse repurchase agreements	-	789,395	-	-	-	-	789,395
- Mortgage loans	-	-	-	49,294	-	-	49,294
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-
- Other loans and credits	-	-	-	140,763	-	-	140,763
- Doubtful assets	-	-	-	16,512	-	-	16,512
- Other assets	-	-	-	169,979	-	-	169,979
Total debt instruments	872,410	2,587,131	3,547,190	2,056,012	-	-	9,062,743
2. Contingent liabilities -							
Financial guarantees (Note 30.1)	-	-	-	-	-	15,094	15,094
Documentary credits (Note 30.1)	-	-	-	-	-	19,903	19,903
Total contingent liabilities	-	-	-	-	-	34,997	34,997
3. Other exposures -							
Derivatives	5,203,970	-	-	-	-	-	5,203,970
Contingent commitments (Note 30.3)	-	-	-	-	-	617,710	617,710
Total other exposures	5,203,970	-	-	-	-	617,710	5,821,680
4. Less: recognized impairment losses	-	-	(5,511)	(141,621)	-	(54,758)	(201,890)
Maximum credit risk exposure level (1+2+3+4)	6,076,380	2,587,131	3,541,679	1,914,391	-	597,949	14,717,530
Valuation adjustments	-	911	(1,595)	1,602	-	-	918
Total accounting balance	6,076,380	2,588,042	3,540,084	1,915,993	-	597,949	14,718,448

(1) The maximum credit risk exposure of the instruments included in the foregoing table was taken to be their fair value at 31 December 2012.

With respect to the credit derivatives arranged by the Group, the foregoing tables include only the fair value thereof at 31 December 2013 and 2012.

The contingent liabilities are presented at the maximum amount guaranteed by the Group. In general, it is considered that most of these balances will expire without any actual financing obligation arising for the Group. The collateral on these transactions must also be taken into account (see Note 24.3 below). The (drawable) balances of the contingent liabilities are presented at the maximum amounts drawable by the counterparties.

24.3. Collateral received and other credit enhancements

Contractual netting and financial guarantee or collateral agreements

The Group's policy with regard to the arrangement of transactions involving financial derivative products, repos, sell/buy backs and securities lending is to enter into contractual netting agreements drafted by national or international associations. These agreements enable the transactions performed thereunder to be terminated and settled early in the event of default by the counterparty in such a way that the parties can only claim the net balance resulting from the settlement of such transactions.

Derivative financial instruments are arranged using ISDA Master Agreements, which are subject to the laws of England and Wales or the State of New York, or the Framework Agreement for Financial Transactions (CMOF) which is subject to Spanish law, depending on the counterparty. Financial guarantee agreements, namely the Credit Support Annex for ISDA Master Agreements and Appendix III for CMOFs, are entered into to hedge derivative financial instruments exceeding certain risk levels.

Standard Global Master Repurchase Agreements (GMRA) are entered into for repo and sell/buy back transactions, while standard European Master Agreement (EMA) or Global Master Securities Lending Agreements (GMSLA) are used for securities lending transactions. The clauses of these types of contractual netting agreements include regulations on the financial guarantees or spreads on the transactions.

Following is a detail of the Group's maximum credit risk exposure to each financial instrument class secured by collateral or other credit enhancements in addition to the personal guarantee of the borrower, disregarding recognized impairment losses, at 31 December 2013 and 2012:

31 December 2013:

	THOUSANDS OF EUROS								
	Government backed	Secured by Spanish Government Debt Securities	Secured by Other Fixed-Income Securities	Secured by Shares	Netting Agreements	Secured by Mortgage	Secured by Cash Deposits	Guaranteed by Credit Institutions	Total
1. Debt instruments-									
1.1 Loans and advances to credit institutions	**-**	**816,449**	**401,728**	**2,591**	**-**	**-**	**-**	**-**	**1,220,768**
- Reverse repurchase agreements	-	816,449	401,728	-	-	-	-	-	1,218,177
- Guarantee deposits on securities lending transactions	-	-	-	2,591	-	-	-	-	2,591
- Time deposits	-	-	-	-	-	-	-	-	-
1.2 Debt instruments	**573,072**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**573,072**
1.3 Loans and advances to customers	**-**	**1,116,233**	**21,349**	**-**	**-**	**49,289**	**-**	**-**	**1,186,871**
- Reverse repurchase agreements	-	1,116,233	6,349	-	-	-	-	-	1,122,582
- Mortgage loans	-	-	-	-	-	49,289	-	-	49,289
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-	-
- Real guarantees	-	-	15,000	-	-	-	-	-	15,000
Total debt instruments	573,072	1,932,682	423,077	2,591	-	49,289	-	-	2,980,711
2. Contingent liabilities-									
Financial bank guarantees	-	-	-	-	-	-	-		
Documentary credits	-	-	-	-	-	-	-	20,233	20,233
Total contingent liabilities	-	-	-	-	-	-	-	20,233	20,233
3. Other exposures-									
Derivatives	-	-	-	-	2,150,155	-	-	-	2,150,155
Total other exposures	-	-	-	-	2,150,155	-	-	-	2,150,155
Total amount covered	573,072	1,932,682	423,077	2,591	2,150,155	49,289	-	20,233	5,151,099

31 December 2012:

	THOUSANDS OF EUROS								
	Government backed	Secured by Spanish Government Debt Securities	Secured by Other Fixed-Income Securities	Secured by Shares	Netting Agree-ments	Secured by Mortgage	Secured by Cash Deposits	Guaranteed by Credit Institutions	Total
1. Debt instruments-									
1.1 Loans and advances to credit institutions	**-**	**1,784,326**	**13,410**	**6,580**	**-**	**-**	**-**	**-**	**1,804,316**
- Reverse repurchase agreements	-	1,784,326	13,410	-	-	-	-	-	1,797,736
- Guarantee deposits on securities lending transactions	-	-	-	6,580	-	-	-	-	6,580
- Time deposits	-	-	-	-	-	-	-	-	-
1.2 Debt instruments	**481,756**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**481,756**
1.3 Loans and advances to customers	**-**	**789,395**	**100,000**	**-**	**-**	**49,294**	**-**	**-**	**938,689**
- Reverse repurchase agreements	-	789,395	-	-	-	-	-	-	789,395
- Mortgage loans	-	-	-	-	-	49,294	-	-	49,294
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-	-
- Other real guarantees	-	-	100,000	-	-	-	-	-	100,000
Total debt instruments	481,756	2,573,721	113,410	6,580	-	49,294	-	-	3,224,761
2.Contingent liabilities-									
Financial bank guarantees	-	15,094	-	-	-	-	-	-	15,094
Documentary credits	-	-	-	-	-	-	-	19,903	19,903
Total contingent liabilities	-	15,094	-	-	-	-	-	19,903	34,997
3.Other exposures-									
Derivatives	-	-	-	-	3,082,292	-	-	-	3,082,292
Total other exposures	-	-	-	-	3,082,292	-	-	-	3,082,292
Total amount covered	481,756	2,588,815	113,410	6,580	3,082,292	49,294	-	19,903	6,342,050

24.4. Credit quality of unimpaired, non-past-due financial assets

24.4.1. Analysis of credit risk exposure by credit rating

At 31 December 2013, 67.4% of the exposure had been rated by a credit rating agency recognized by the Bank of Spain. The distribution, by rating, of the rated exposure is as follows:

Level	Rating (*)	Percentage
1	AAA-AA	0,6%
2	A	16,2%
3	BBB	31,1%
4	BB	19,3%
5	B	24,9%
6	CCC and below	7,9%
	Total	**100%**

(*) The exposures were classified taking the most conservative of the ratings granted by the three rating agencies used to manage the Confederación's risk: Fitch, Moody's and S&P.

24.4.2. Classification of credit risk exposure by counterparty

Following is a detail, by counterparty, of the maximum credit risk exposure (disregarding recognized impairment losses) in connection with financial assets not past-due or impaired at 31 December 2013 and 2012:

31 December 2013:

	THOUSANDS OF EUROS							
	Resident Public Sector	Resident Credit Institutions	Other Resident Entities	Other Residents	Non-resident Public Sector	Non-Resident Credit Institutions	Other non-Resident Sectors	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	**-**	**1,510,576**	**-**	**-**	**-**	**285,269**	**-**	**1,795,845**
- Reverse repurchase agreements	-	1,218,177	-	-	-	-	-	1,218,177
- Time deposits	-	66,427	-	-	-	-	-	66,427
- Guarantee deposits on securities lending transactions	-	2,591	-	-	-	-	-	2,591
- Other accounts	-	215,003	-	-	-	235,440	-	450,443
- Other	-	8,378	-	-	-	49,829	-	58,207
1.2 Debt instruments	**3,872,217**	**279,850**	**285,934**	**-**	**101**	**23,893**	**49,330**	**4,511,325**
1.3 Loans and advances to customers	**559,586**	**-**	**394,499**	**455,553**	**11**	**-**	**22,771**	**1,432,420**
- Reverse repurchase agreements	559,440	-	394,499	168,643	-	-	-	1,122,582
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-
- Other loans and credits	146	-	-	20,399	11	-	15,124	35,680
- Mortgage loans	-	-	-	49,289	-	-	-	49,289
- Other assets	-	-	-	217,222	-	-	7,647	224,869
Total debt instruments	4,431,803	1,790,426	680,433	455,553	112	309,162	72,101	7,739,590
2. Contingent liabilities-								
Financial bank guarantees	-	-	-	-	-	-	-	-
Documentary credits	-	-	20,233	-	-	-	-	20,233
Total contingent liabilities	-	-	20,233	-	-	-	-	20,233
3. Other exposures-								
Derivatives	-	2,406,238	601,332	-	-	459,447	-	3,467,017
Contingent commitments	64,400	15,459	38,937	-	-	-	300	119,096
Total other exposures	64,400	2,421,697	640,269	-	-	459,447	300	3,586,113
Total	4,496,203	4,212,123	1,340,935	455,553	112	768,609	72,401	11,345,936

31 December 2012:

	THOUSANDS OF EUROS							
	Resident Public Sector	Resident Credit Institutions	Other Resident Entities	Other Residents	Non-resident Public Sector	Non-Resident Credit Institutions	Other non-Resident Sectors	Total
1. Debt instruments-								
1.1 Loans and advances to credit institutions	**-**	**2,534,155**	**-**	**-**	**-**	**550,712**	**-**	**3,084,867**
- Reverse repurchase agreements	-	1,797,736	-	-	-	-	-	1,797,736
- Time deposits	-	116,912	-	-	-	-	-	116,912
- Guarantee deposits on securities lending transactions	-	2,644	-	-	-	3,936	-	6,580
- Other accounts	-	607,864	-	-	-	310,007	-	917,871
- Other	-	8,999	-	-	-	236,769	-	245,768
1.2 Debt instruments	**3,796,530**	**504,297**	**379,535**	**-**	**-**	**-**	**8,948**	**4,689,310**
1.3 Loans and advances to customers	**1,187**	**789,395**	**32,732**	**217,638**	**25**	**7,915**	**100,539**	**1,149,431**
- Reverse repurchase agreements	-	789,395	-	-	-	-	-	789,395
- Guarantee deposits on securities lending transactions	-	-	-	-	-	-	-	-
- Other loans and credits	1,187	-	32,732	6,280	25	-	100,539	140,763
- Mortgage loans	-	-	-	49,294	-	-	-	49,294
- Other assets	-	-	-	162,064	-	7,915	-	169,979
Total debt instruments	3,797,717	3,827,847	412,267	217,638	25	558,627	109,487	8,923,608
2. Contingent liabilities-								
Financial bank guarantees	-	15,094	-	-	-	-	-	15,094
Documentary credits	-	-	19,903	-	-	-	-	19,903
Total contingent liabilities	-	15,094	19,903	-	-	-	-	34,997
3. Other exposures-								
Derivatives	-	3,558,646	951,561	-	-	693,763	-	5,203,970
Contingent commitments	383,572	7,246	226,592	-	-	-	300	617,710
Total other exposures	383,572	3,565,892	1,178,153	-	-	693,763	300	5,821,680
Total	4,181,289	7,408,833	1,610,323	217,638	25	1,252,390	109,787	14,780,285

Also, as stated in the applicable legislation, presented below is the distribution of the loans to customers by type of activity (book value) as of 31 December 2013:

	THOUSANDS OF EUROS							
				Credit with real estate collateral. *Loan to value*				
	TOTAL	Of which: real estate collateral	Of which: Other real guarantees	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public Administrations	**560,250**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial institutions	**811,003**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-financial entities and individual entrepreneurs	**6,387**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Construction and property development	-	-	-	-	-	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	6,387	-	-	-	-	-	-	-
Big enterprises	6,387	-	-	-	-	-	-	-
SMEs and individual entrepreneurs	-	-	-	-	-	-	-	-
Rest of households and NPISHs	**55,829**	**49,289**	**-**	**20,082**	**11,560**	**10,023**	**7,624**	**-**
Houses	51,035	49,289	-	20,082	11,560	10,023	7,624	-
Consumption	4,749	-	-	-	-	-	-	-
Other purposes	45	-	-	-	-	-	-	-
Subtotal	**1,433,469**	**49,289**	**-**	**20,082**	**11,560**	**10,023**	**7,624**	**-**
Minus: Value adjustments for impairment of assets not attributable to specific operations	**(870)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	1,432,599	-	-	-	-	-	-	-
Memorandum Item	-	-	-	-	-	-	-	-
Refinancing operations, refinanced and restructured (*)	-	-	-	-	-	-	-	-

(*) Presented as net impairment loss

At 31 December 2012:

	THOUSANDS OF EUROS							
				Credit with real estate collateral. *Loan to value*				
	TOTAL	Of which: real estate collateral	Of which: Other real guarantees	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public Administrations	**1,263**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other financial institutions	**1,096,221**	**-**	**100,000**	**-**	**-**	**-**	**100,000**	**-**
Non-financial entities and individual entrepreneurs	**8,796**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Construction and property development	-	-	-	-	-	-	-	-
Construction of civil works	-	-	-	-	-	-	-	-
Other purposes	8,796	-	-	-	-	-	-	-
Big enterprises	4,116	-	-	-	-	-	-	-
SMEs and individual entrepreneurs	4,680	-	-	-	-	-	-	-
Rest of households and NPISHs	**56,243**	**49,294**	**-**	**16,936**	**9,812**	**15,655**	**6,891**	**-**
Houses	51,258	49,294	-	16,936	9,812	15,655	6,891	-
Consumption	4,924	-	-	-	-	-	-	-
Other purposes	61	-	-	-	-	-	-	-
Subtotal	**1,162,523**	**49,294**	**100,000**	**16,936**	**9,812**	**15,655**	**106,891**	**-**
Minus: Value adjustments for impairment of assets not attributable to specific operations	**1,487**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	1,161,036	-	-	-	-	-	-	-
Memorandum Item								
Refinancing operations, refinanced and restructured	12,375	-	-	-	-	-	-	-

24.5. Information on non-performing loans ratios

In view of the activities carried on by the Group and the risk profile assumed by it, its non-performing loans ratios, measured as doubtful assets as a percentage of total credit risk, were 1.28% and 0.94% at 31 December 2013 and 2012, respectively, excluding contingent commitments.

24.6. Financial assets renegotiated in the year

Following is a detail by counterparties, classification of NPL's and type of warranties, existing balances of restructuring and refinancing carried on by the Group as of 31 December 2013 and 2012:

At 31 December 2013:

	THOUSANDS OF EUROS						
	NORMAL						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	-	-	-
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

	THOUSANDS OF EUROS						
	SUBSTANDARD						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	-	-	-
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

	THOUSANDS OF EUROS						
	DOUBTFUL						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	2	13,300	13,300
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	2	13,300	13,300

	THOUSANDS OF EUROS						
	TOTAL						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	2	13,300	13,300
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	2	13,300	13,300

At 31 December 2012:

	THOUSANDS OF EUROS						
	NORMAL						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	-	-	-
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

	THOUSANDS OF EUROS						
	SUBSTANDARD						
	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	-	-	-
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

THOUSANDS OF EUROS

DUDOSO

	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	1	16,500	4,125
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	1	16,500	4,125

THOUSANDS OF EUROS

TOTAL

	Full Real Estate mortgage		Other collateral		Without collateral		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public Administrations	-	-	-	-	-	-	-
Other legal entities and individual entrepreneurs	-	-	-	-	1	16,500	4,125
Of which:							
Construction and property development financing	-	-	-	-	-	-	-
Other individuals	-	-	-	-	-	-	-
Total	-	-	-	-	1	16,500	4,125

24.7. Impaired assets

Following is a detail, by method used to calculate impairment losses, of the financial assets considered to be impaired due to credit risk at 31 December 2013 and 2012:

	THOUSANDS OF EUROS					
	31 December 2013			31 December 2012		
	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets	Financial Assets Individually Assessed as Impaired	Financial Assets Collectively Assessed as Impaired	Total Impaired Assets
1. Debt instruments-						
1.1 Loans and advances to credit institutions	3,300	-	3,300	-	-	-
1.2 Debt instruments	77,939	-	77,939	122,623	-	122,623
1.3 Loans and advances to customers	64,764	-	64,764	16,512	-	16,512
Total debt instruments	146,003	-	146,003	139,135	-	139,135
2. Contingent liabilities-						
2.1Financial bank guarantees	-	-	-	-	-	-
2.2Documentary credits	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-
3.Other exposures-						
3.1Derivatives	-	-	-	-	-	-
3.2Contingent commitments	-	-	-	54,743	-	54,743
Total other exposures	-	-	-	54,743	-	54,743
Total	146,003	-	146,003	193,878	-	193,878

Assets presented by the Group in the foregoing table as "individually impaired" at 31 December 2013 and 2012 were classified on the basis of an analysis of each such transaction, taking into account factors such as the financial position and solvency of the debtors, adverse changes in the fair value of the assets, giving rise to impairment, and other evidence justifying their classification as individually impaired under current legislation.

In connection with the information provided in the previous table, it should be noted that financial assets classified as at fair value through profit or loss which might be impaired due to credit risk were not included, since when such assets are measured at fair value, any impairment losses are recognized as an adjustment to fair value in the Group's consolidated financial statements.

All the transactions considered by the Group to be impaired at 31 December 2013 were classified under the "Loans and Receivables" category for EUR 146,003 thousand. The transactions considered by the Group to be impaired at 31 December 2012 were classified in "Loans and Receivables" for EUR 139,135 thousand and in "Contingent Commitments" for EUR 54,743 thousand.

24.8. Changes in impairment losses

Following are the changes in the impairment losses of debt instruments due to credit risk recognized by the Group in 2013 and 2012:

2013:

	THOUSANDS OF EUROS					
	Balance at 1 January 2013	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2013
1. Impairment losses not specifically identified						
1.1 Debt instruments-						
- Loans and advances to credit institutions	18	243	-	-	-	261
- Debt instruments	5,511	(1,680)	-	-	-	3,831
- Loans and advances to customers	1,487	(617)	-	-	-	870
Total debt instruments	7,016	(2,054)	-	-	-	4,962
1.2 Contingent liabilities-						
- Financial bank guarantees	15	1	-	-	-	16
Total contingent liabilities	15	1	-	-	-	16
1.3 Other exposures-	-	-	-	-	-	-
Total	**7,031**	**(2,053)**	**-**	**-**	**-**	**4,978**
2. Specifically identified impairment losses						
2.1 Debt instruments-						
- Loans and advances to credit institutions	-	3,300	-	-	-	3,300
- Debt instruments (***)	135,980	(35,943)	-	(7,580)	(1,292)	91,165
- Loans and advances to customers	4,136	60,620	-	-	1	64,757
Total debt instruments	140,116	27,977	-	(7,580)	(1,291)	159,222
2.2 Contingent liabilities-						
Total contingent liabilities	-	-	-	-	-	-
2.3 Other exposures-	54,743	(54,743)	-	-	-	-
Total	**194,859**	**(26,766)**	**-**	**(7,580)**	**(1,291)**	**159,222**
Total impairment losses (1+2)	201,890	(28,819)	-	(7,580)	(1,291)	164,200

(*) Basically includes adjustments for exchange differences.

(**) Of the total, (28,819), thousand Euros, 25,923 thousand Euros are recognized under "Impairment of financial assets (net) (see Note 41) and 54,742 thousand Euros under " Provisions (net) (see Note 18.2) in the consolidated income statement for the year 2013.

(***) Of the total of 91,165 thousand Euros of impairment losses specifically identified debt securities, 13,226 thousand relate to providing substandard.

2012:

	THOUSANDS OF EUROS					
	Balance at 1 January 2012	Net Additions (Reversals) Charged (Credited) to Income (**)	Transfers Between Items	Amounts Used in the Year	Other Changes (*)	Balance at 31 December 2012
1. Impairment losses not specifically identified						
1.1 Debt instruments-						
- Loans and advances to credit institutions	5	13	-	-	-	18
- Debt instruments	2,130	3,381	-	-	-	5,511
- Loans and advances to customers	1,974	(487)	-	-	-	1,487
Total debt instruments	4,109	2,907	-	-	-	7,016
1.2 Contingent liabilities-						
- Financial bank guarantees	17	(2)	-	-	-	15
Total contingent liabilities	17	(2)	-	-	-	15
1.3 Other exposures-	-					
Total	4,126	2,905	-	-	-	7,031
2. Specifically identified impairment losses						
2.1 Debt instruments-						
- Loans and advances to credit institutions	-	-	-	-	-	-
- Debt instruments (***)	129,452	35,703	-	(28,765)	(410)	135,980
- Loans and advances to customers	34	4,103	-	-	(1)	4,136
Total debt instruments	129,486	39,806	-	(28,765)	(411)	140,116
2.2 Contingent liabilities-	-	-	-	-	-	-
Total contingent liabilities	-	-	-	-	-	-
2.3 Other exposures-	-	54,743	-	-	-	54,743
Total	129,486	94,549	-	(28,765)	(411)	194,859
Total pérdidas por deterioro (1+2)	133,612	97,454	-	(28,765)	(411)	201,890

(*) Basically includes adjustments for exchange differences.

(**) Of the total, 97,454 thousand Euros, 42,713 thousand Euros are recognized under "Impairment of financial assets (net) (see Note 41) and 54,741 thousand Euros under " Provisions (net) (see Note 18.2) in the consolidated income statement for the year 2012.

(***) Of the total of 135,980 thousand Euros of impairment losses specifically identified debt securities, 17,567 thousand relate to providing substandard.

Following is a detail, by financial instrument category, of the impairment losses recognized by the Group due to credit risk at 31 December 2013 and 2012:

31 December 2013:

	Available-For-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Provisions for Contingent Liabilities and Commitments (Note 18.2)	Total
1. Impairment losses not specifically identified				
1.1 Debt instruments-				
- Loans and advances to credit institutions	-	261	-	261
- Debt instruments	3,831	-	-	3,831
- Loans and advances to customers	-	870	-	870
Total debt instruments	3,831	1,131	-	4,962
1.2 Contingent liabilities-				
- Financial bank guarantees	-	-	16	16
Total contingent liabilities	-	-	16	16
1.3 Other exposures-	-	-	-	-
Total	**3,831**	**1,131**	**16**	**4,978**
2. Specifically identified impairment losses				
2.1 Debt instruments-				
- Loans and advances to credit institutions	-	3,300	-	3,300
- Debt instruments	3,025	88,140	-	91,165
- Loans and advances to customers	-	64,757	-	64,757
Total debt instruments	3,025	156,197	-	159,222
2.2 Contingent liabilities-	-	-	-	-
2.3 Other exposures-	-	-	-	-
Total	**3,025**	**156,197**	**-**	**159,222**
Total impairment losses (1+2)	6,856	157,328	16	164,200

31 December 2012:

	Available-For-Sale Financial Assets (Note 9)	Loans and Receivables (Note 10)	Provisions for Contingent Liabilities and Commitments (Note 18.2)	Total
1. Impairment losses not specifically identified				
1.1 Debt instruments-				
- Loans and advances to credit institutions	-	18	-	18
- Debt instruments	5,511	-	-	5,511
- Loans and advances to customers	-	1,487	-	1,487
Total debt instruments	5,511	1,505	-	7,016
1.2 Contingent liabilities-				
- Financial bank guarantees	-	-	15	15
Total contingent liabilities	-	-	15	15
1.3 Other exposures-	-	-	-	-
Total	**5,511**	**1,505**	**15**	**7,031**
2. Specifically identified impairment losses				
2.1 Debt instruments-				
- Loans and advances to credit institutions	-	-	-	-
- Debt instruments	-	135,980	-	135,980
- Loans and advances to customers	-	4,136	-	4,136
Total debt instruments	-	140,116	-	140,116
2.2 Contingent liabilities-	-	-	-	-
2.3 Other exposures-	-	-	54,743	54,743
Total	**-**	**140,116**	**54,743**	**194,859**
Total impairment losses (1+2)	5,511	141,621	54,758	201,890

As previously stated, pursuant to the applicable legislation, the Group does not calculate impairment losses due to credit risk on equity instruments owned by the Group (impairment losses on these financial assets are calculated as set forth in Note 2.9) and on debt instruments classified at fair value through profit or loss since, because they are carried at fair value, any changes in fair value due to credit risk are recognized immediately in the consolidated income statement. Accordingly, these impairment losses are not included in the foregoing tables.

24.9. Past-due but not impaired assets

At 31 December 2013 and 2012 the Group had not recognized any material past-due but not impaired assets in its consolidated financial statements.

24.10. Write-off of impaired financial assets

At 31 December 2013 and 2012 the Group did not have any material financial assets that, pursuant to the criteria set forth in Note 2, had been written off due to credit risk, and there were no significant changes in this connection in 2013.

24.11. Exposure to real estate risk

By 31 December 2013 the only operations granted by the Group concerning real state exposure are those loans intended to be used for housing acquisition, which are granted to its employees, as the following table shows:

	THOUSANDS OF EUROS			
	31 December 2013		31 December 2012	
	Gross amount	*From which: doubtful*	Gross amount	*From which: Doubtful*
Credit for house purchase				
Without mortgage guarantee	1,749	10	1,964	-
With mortgage guarantee	49,289	-	49,294	-
	51,038	10	51,258	-

Following is the breakdown of credit with mortgage guarantee to households for house purchase, according to the percentage represented by the total risk over the amount of the last available as of 31 December 2013 and 2012:

At 31 December 2013:

	THOUSANDS OF EUROS					
	Risk over the amount of the last available valuation					
	Less or equal than 40%	More than 40% and less or equal than 60%	More than 60% and less or equal than 80%	More than 80% and less or equal than 100%	More than 100%	TOTAL
Gross amount	20,082	11,560	10,023	7,624	-	49,289
From which: Doubtful	-	-	-	-	-	-

At 31 December 2012:

	THOUSANDS OF EUROS					
	Risk over the amount of the last available valuation					
	Less or equal than 40%	More than 40% and less or equal than 60%	More than 60% and less or equal than 80%	More than 80% and less or equal than 100%	More than 100%	TOTAL
Gross amount	16,936	9,812	15,655	6,891	-	49,294
From which: Doubtful	-	-	-	-	-	-

24.12. Other disclosures on credit risk

Neither at 31 December 2013 nor at 31 December 2012 the amount of accrued uncollected past-due receivables on impaired financial assets was not material.

In 2013 and 2012 no guarantees associated with financial assets owned by the Group were executed in order to guarantee the collection thereof.

25. Exposure to market risk

25.1. Market risk management objectives, policies and processes

Market risk is defined as the risk that affects results or capital as a result of adverse changes in the prices of bonds, securities and commodities and in the exchange rates of transactions recognized in the trading book. This risk arises in market making and trading activities and the taking of positions in bonds, securities, foreign currencies, commodities and derivatives (on bonds, securities, currencies and commodities). This risk includes foreign currency risk, which is defined as the actual or potential risk that affects results or capital as a result of adverse changes in exchange rates in the banking book.

Direct exposure to market risk arises from several financial factors affecting market prices. These factors include mainly, but not only, the following:

- Interest rates in each country and product type
- Spreads of each instrument over the risk-free interest rate curve (including credit and liquidity spreads)
- Market liquidity levels
- Price levels
- Exchange rates
- Levels of volatility of the above factors

Value at Risk ("VaR") provides an integrated measure of market risk and encompasses the basic elements thereof: interest rate risk, spread risk, foreign currency risk, equity risk and the risk of volatility of the foregoing factors.

Interest rate risk

Interest rate risk is the exposure to market fluctuations due to changes in the general level of interest rates. The exposure to interest rate risk can be divided into the following two elements:

Directional, slope and basis risk

Directional risk is the sensitivity of income to parallel shifts in the interest rate curve, while interest rate curve risk is the sensitivity of gains to changes in the structure of the rate curve, due to a change either in the slope or the shape of the curve.

Basis risk is the potential loss arising from unexpected changes in the spreads between the various interest rate curves with respect to which portfolio positions are held. Liquidity conditions in markets and the perception of the specific risk usually trigger this type of fluctuation, although other factors can also play a part.

The Group controls all the interest rate risks described above using VaR, which includes all the factors relevant to the measurement thereof, covering the maturity spectrum and all the relevant curves (including specific industry curves by rating).

Spread risk

Spread risk arises from holding corporate bond positions (and credit derivatives) and is defined as the exposure to the specific risk of each issuer.

Certain circumstances relating to the market and/or the issue itself can widen the spreads due to the liquidity premium.

Foreign currencies

In view of its foreign currency and international capital markets operations, the Group is exposed to the following two types of foreign currency risk:

Foreign exchange risk

Foreign exchange risk arises on the net positions of one currency against the euro or one currency against another. Therefore, foreign exchange risk is the potential fluctuation in spot exchange rates affecting the value of positions.

Interest rate spread risk

Net interest rate spread risk arises from the difference between interest rates in two different currencies and its effect on forward foreign currency positions.

The Group measures both of these risks using VaR and includes exchange rates and currency yield curves as risk factors.

Equity risk

This represents the risk of incurring losses as a result of changes in share prices.

Volatility risk

As part of its portfolio management activities, the Group arranges options on various underlying assets on a habitual basis.

The most immediate way of measuring the risk of these options is through their delta, a parameter that proxies the risk of an option as an equivalent position in another simpler (linear) instrument.

But the non-linear nature of the value of options makes it advisable, in the case of complex options, basically to perform additional monitoring of the other parameters affecting the value of the option, which are as follows:

Delta risk

Delta measures the change in the value of the option arising from a one-point change in the price of the underlying asset. Accordingly, delta risk is the exposure to unexpected changes in the value of the option portfolio as a result of changes in the prices of the underlying instruments.

Gamma risk

The gamma of an option measures the sensitivity of its delta to a one-point change in the price of the underlying asset. It represents the risk that the delta of an option portfolio may vary as a result of a change in the prices of the underlying assets.

Vega risk

Vega is a measure of the sensitivity of the value of an option to a one-point change in the volatility of the price of the underlying asset.

Theta risk

Theta risk relates to the decline in the value of option positions as a consequence of the passage of time.

Delta and vega risk are measured through the parametric VaR and measures options risks using historical simulation VaR, since this methodology is based on the complete revaluation of options. For transactions with certain complex exotic options which are particularly complicated to manage and measure, general policy is to eliminate this risk from the portfolio by arranging back-to-back transactions in the market.

25.2. Market risk measurement

The methodology used to measure market risk is as follows.

VaR is calculated and monitored in the same way for available-for-sale and investment securities as it is for the trading book, although at present market risk limits have not been set for these portfolios.

Value at Risk

As stated above, VaR is the indicator used to monitor market risk exposure limits. It provides a unique measure of market risk by bringing together the following basic aspects:

- Interest rate risk
- Credit spread risk
- Foreign currency risk
- Equity risk
- Volatility risk (for optionalities)
- Liquidity risk

Parametric VaR

The VaR measure used to monitor the limits described above is parametric VaR with the following features:

- Time horizon: 1 day
- Confidence interval: 99%
- Decay factor: 0.97
- Depth of the series: 255 trading days

It is calculated daily and the base currency is the Euro.

In addition to the total VaR of the Treasury Room, VaR is also obtained for the different operating levels and units in the Financial Department.

The distribution of the VaR of the trading book by desk at 31 December 2012 was as follows:

	THOUSANDS OF EUROS
	2012
Money and currency markets	1,271
Fixed-income and equities trading	458
Loan trading	182
Derivatives and structured products	259

During 2013 a restructuration of the treasury desks has taken place, with the following outcome:

	THOUSANDS OF EUROS
	2013
Funding and Assets for sale Desk	1,027
Trading Desk	576
Derivatives and Volatility Desk	151
Credit Desk	322
Cash	26

Every day an analytical measure derived from VaR known as the Component VaR of market risk, which enables the total risk contributed by each position and market risk factor (risk concentration) to be known and the sensitivity of VaR to changes in portfolio positions to be proxied, is calculated and reported.

Component VaR can be obtained at a higher level of disaggregation and is reported by:

- Product
- Risk vertex

VaR outcomes quality is corroborated with a daily back test.

Historical simulation VaR

In addition, parametric VaR is calculated and daily, and historical simulation VaR is reported to test the risk estimate obtained using the parametric VaR methodology.

Historical simulation VaR uses historical data to calculate the changes in market risk factors, which are applied to current values to generate simulated gain and loss distributions without making any a priori assumptions regarding the form thereof, since only the actual distribution is used.

The parameters used regarding confidence levels, time decay factors, data series and time horizon of the estimate as those used to calculate parametric VaR.

Management results

Starting with risk tools, management results for the trading portfolios are calculated daily.

The method used is mark-to-market for positions with directly observable market prices (debt, Treasury bills, futures, exchange-traded options) and mark-to-model (theoretical valuation) with market inputs for transactions without quoted prices (deposits, OTC derivatives, etc.).

Sensitivity measures

Although limits are structured with respect to the VaR measure that combines all types of risks and portfolios in a single indicator, there is a series of supplementary measures to monitor exposure to market risk, which are quantified and reported daily. The sensitivity measures performed are as follows:

Total delta

Sensitivity of net present value (NPV) to parallel shifts in the interest rate curve.

Curve risk

Sensitivity of NPV to changes in the maturity structure of the interest rate curve due to changes in the slope or the shape of the curve in particular tranches.

Spread risk

Measurement of the specific risk assumed to bond issuers.

Liquidity risk is also quantified taking into account the nature of portfolio positions and the situation in the financial markets.

Exchange rate sensitivity

Sensitivity of the NPV of foreign currency positions in the portfolio to changes in exchange rates.

Price sensitivity

Sensitivity of the NPV of equity positions in the portfolio to changes in the prices of the securities held.

Volatility sensitivity

Sensitivity of the NPV of option positions in the portfolio to changes in the volatility of the underlying (vega risk).

Stress testing

The purpose of stress tests is to estimate the effects, in terms of losses, of an extreme movement in the market on the current portfolio. To this end, one or more worst case scenarios of price and interest rate fluctuations are defined based on real situations observed in the past or other situations that might arise.

The inclusion of the results of the stress tests in reporting systems enables traders and managers to be informed of the losses that might be incurred in extreme scenarios and facilitates the identification of the portfolio's risk profile in such situations.

25.3. Market risk limits

The market risk of the trading book is measured through VaR, using both the parametric and historical simulation methodologies (for the purposes of usage of limits, the former is currently used), including diversification and risk correlation (diversification benefits) criteria.

The general limit structure is determined by the following guidelines:

- The Board of Directors established the global limits and approves the ALCO proposal, the implementation plans and the management processes.
- The ALCO establishes a general framework of limits for the measurement of market risk and the limits distribution among the desks.
- The Board of Directors approves and reviews changes to limits proposed by the ALCO.
- The Deputy General Manager of the Finance Division will, in all cases, be responsible for the use of the overall limit and delegated limits, and any overrun of these limits must be authorized by the ALCO.

The Risk Department is responsible for monitoring and compliance of the limits and reporting the consumption to the ALCO.

There are two limit structures to control the market risk of Treasury activities:

- VaR limits measure the maximum authorized potential loss for a one-day time horizon based on the size and composition of the portfolio's risk exposure at the close of each day.
- Stop loss limits set the maximum authorized actual losses for both the Treasury Room and the various desks composing it, and include the results of intraday transactions. There are monthly and annual limits, as well as a monthly references and a 22 calendar day reference.

The stop loss limits are reviewed periodically and the review takes place at the same time as the review of VaR limits.

26. Liquidity risk

26.1. Liquidity risk management objectives, policies and processes

Liquidity risk is to have in place at all times the instruments and processes to enable it to meet payment commitments, so that it has available to it the media to enable it to maintain sufficient levels of liquidity to meet its payment commitments without compromising significantly the Group's profits and to have mechanisms that allow it to meet its payments in a timely manner.

Traditionally, the Group has generally had several ways of obtaining liquidity, including attracting customer deposits, the availability of various cash facilities at official agencies and raising liquidity through the interbank market.

Liquidity risk

Liquidity risk is defined as:

- The uncertainty regarding the availability, at reasonable prices, of funds to enable the Confederación to meet its commitments when recourse to external financing is difficult for a particular period of time.
- The maintenance or generation of levels of liquidity required to finance future business growth.

In other words, this risk reflects the probability of incurring losses or having to reject new business or growth in current business as a result of being unable to meet commitments normally when they fall due or being unable to finance additional needs at market rates. In order to mitigate this risk, the Group periodically monitors its liquidity conditions and assesses any action that may be required. Furthermore, the Group has planned measures to enable it to restore the Group's overall financial equilibrium in the event of a possible shortfall in liquidity.

26.2. Liquidity risk measurement

Following is a detail the measures employed by the Market, Balance-Sheet and Liquidity Risk Division to measure liquidity risk:

Liquidity gap

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the interest flows arising therefrom) and shows the mismatch structure in the Group's balance sheet in terms of cash inflows and outflows.

It reflects the liquidity level maintained under normal market conditions and provides information on contractual and non-contractual cash inflows and outflows for a given period under certain assumptions regarding behavior.

Liquidity inventory

At least twice a day, a list is made to enable monitoring of available liquid assets in order to identify possible available sources of liquidity in the event of a liquidity contingency.

Liquidity ratios

The purpose of liquidity ratios is to value and measure the Group's on-balance-sheet liquidity bimonthly, as follows:

- Short-term liquidity ratio: this ratio estimates the Group's potential capacity to generate liquidity in a period of seven, fifteen and thirty days in order to cater for a liquidity eventuality and evaluate the sufficiency of the proportion of demand deposits obtained held as liquid assets.
- Structural liquidity ratio: the purpose of this ratio is to identify the Group's funding mismatch, showing the liquidity generation structure and funding/lending structure by maturity.
- Survival ratio: this ratio estimates the period of time for which the Group can meet its liquidity commitments for a thirty-day period in the event of a lack of access to the interbank market or alternative sources of funding. Scenarios of the unavailability of sources of funding envisaged in the calculation are combined with scenarios of the immediate withdrawal by customers of positions classified as stable.

Stress scenarios, in which the unavailability of various sources of funding is combined with scenarios of the immediate withdrawal by customers of positions classified as stable, are also analyzed, as well as other market conditions.

Additionally, a daily monitoring of a series of alert indicators and intensity of the liquidity crisis is carried out, as wells as a detailed inventory which is refreshed permanently of the liquation capacity of the assets in the balance sheet.

26.3. Liquidity risk limits

As part of its function of monitoring the Group, the Board of Directors establishes a framework of liquidity risk limits based on monitoring the Group's short-term liquidity position.

In particular, limits were established on the following indicators:

- Short-term liquidity ratio:

  This ratio estimates the Group's potential capacity to generate liquidity to meet its payment commitments over a given period of time on the assumption that recourse cannot be had to the interbank market.

  Capability to generate liquidity includes:

  - Collections from the current portfolio.
  - Capability to continue to discount eligible paper.
  - Potential liquidity, which is all cashable assets except repurchase agreements.

  Also, in order to provide complete information to facilitate optimum liquidity management, additional stress scenarios are included which envisage an immediate withdrawal of stable funding, activation of contingent commitments, lowering ratings, losses in the bankable portfolio, etc.

- Liquidity gap at one month with respect to stable funding:

  This ratio measures the net refinancing requirement at one month with respect to the amount of financing considered not to be volatile (i.e. the number of times by which the net refinancing requirement at one month exceeds the Group's stable funding). Thus, a limit can be placed on the level of concentration of the net lending position at very short term in relation to the amount of stable funding in an attempt to ensure that the term structure of the Group's funding is as balanced as possible.

  Any overrun of these limits must be authorized by the ALCO and, when it is considered necessary, such overruns must be reported to the Board of Directors together with an action plan to correct the situation.

26.4. Analysis of the liquidity gap

The liquidity gap is the profile of maturities and settlements by risk type (assets and liabilities classified by residual maturity plus the accrued interest flows arising from all the balance sheet aggregates) and shows the mismatch structure in the consolidated balance sheet in terms of cash inflows and outflows. Its purpose is to measure the net funding required or the net excess of funds for various time horizons. Accordingly, it reflects the liquidity level maintained under normal market conditions.

Following is a detail at 31 December 2013 and 2012 of the Group's main financial assets and liabilities (other than derivatives) at those dates, classified by residual maturity and estimated on the basis of their contractual conditions, excluding, almost always, the related valuation adjustments:

At 31 December 2013:

	THOUSANDS OF EUROS						
	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Assets:							
Cash and balances with central banks	369,190	24,210	-	-	-	-	393,400
Financial assets held for trading - Debt instruments	101	62,797	35,150	190,079	418,434	216,804	923,365
Financial assets held for trading - Other equity instruments	-	-	-	-	-	54,481	54,481
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	795,161	128,324	294,692	-	-	1,218,177
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	977,454	145,128	-	-	-	1,122,582
Available-for-sale financial assets - Debt instruments (*)	-	-	348,847	1,529,253	1,442,406	296,461	3,616,967
Available-for-sale financial assets – Equity instruments (**)	-	-	-	-	-	43,690	43,690
Loans and receivables - Loans and advances to credit institutions	193,141	339,899	5,039	12,820	26,769	3,300	580,968
Loans and Receivables – Loans and advances to customers	112,167	141,925	172	127	2,403	117,808	374,602
Loans and receivables - Debt instruments	-	-	-	39,826	6,613	118,798	165,237
Total at 31 December 2013	674,599	2,341,446	662,660	2,066,797	1,896,625	851,342	8,493,469

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

Page 2 of 2

	THOUSANDS OF EUROS						
	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Liabilities:							
Financial liabilities held for trading - short positions	-	529,934	21,353	-	-	-	551,287
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	1,005,948	-	-	-	-	1,005,948
Other financial liabilities at fair value through profit or loss - Customer deposits	-	637,998	13,192	-	-	-	651,190
Financial liabilities at amortized cost - Deposits from central banks	-	-	-	-	1,300,000	-	1,300,000
Financial liabilities at amortized cost - Deposits from credit institutions	667,199	411,804	1,520	1,124	-	113,821	1,195,468
Financial liabilities at amortized cost - Customer deposits	1,804,523	551,850	27	299	1,174	1,534	2,359,407
Total at 31 December 2013	2,471,722	3,137,534	36,092	1,423	1,301,174	115,355	7,063,300
Assets minus liabilities at 31 December 2013	(1,797,123)	(796,088)	626,568	2,065,374	595,451	735,987	1,430,169

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

At 31 December 2012:

	THOUSANDS OF EUROS						
	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Assets:							
Cash and balances with central banks	463,115	-	-	-	-	-	463,115
Financial assets held for trading - Debt instruments	-	255,554	76,377	164,708	239,329	136,442	872,410
Financial assets held for trading - Other equity instruments	-	-	-	-	-	51,905	51,905
Other financial assets at fair value through profit or loss - Loans and advances to credit institutions	-	1,797,736	-	-	-	-	1,797,736
Other financial assets at fair value through profit or loss - Loans and advances to customers	-	669,168	120,227	-	-	-	789,395
Available-for-sale financial assets - Debt instruments (*)	-	250,281	732,900	1,268,593	888,544	405,277	3,545,595
Available-for-sale financial assets - Other equity instruments (**)	-	-	-	-	-	83,134	83,134
Loans and receivables - Loans and advances to credit institutions	144,647	1,133,328	3,875	5,281	-	-	1,287,131
Loans and receivables - Loans and advances to customers	101,146	102,789	100,013	355	2,787	69,458	376,548
Loans and receivables - Debt instruments	-	-	-	166,177	54,115	172,041	392,333
Total at 31 December 2012	708,908	4,208,856	1,033.392	1,605,114	1,184,775	918,257	9,659,302

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

Page 2 of 2

	THOUSANDS OF EUROS						
	ON DEMAND	LESS THAN 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Liabilities:							
Financial liabilities held for trading - short positions	-	434,114	-	-	-	-	434,114
Other financial liabilities at fair value through profit or loss - Deposits from credit institutions	-	1,824,274	-	-	-	-	1,824,274
Other financial liabilities at fair value through profit or loss - Customer deposits	-	1,063,205	-	-	-	-	1,063,205
Financial liabilities at amortized cost - Deposits from central banks	-	-	-	-	1,300,000	-	1,300,000
Financial liabilities at amortized cost - Deposits from credit institutions	1,030,726	913,361	1,410	2,965	-	77,573	2,026,035
Financial liabilities at amortized cost - Customer deposits	1,336,360	88,615	100,885	140	572	1,556	1,528,128
Total at 31 December 2012	2,367,086	4,323,569	102,295	3,105	1,300,572	79,129	8,175,756
Assets minus liabilities at 31 December 2012	(1,658,178)	(114,713)	931,097	1,602,009	(115,797)	839,128	1,483,546

(*) Including valuation adjustments relating to accrued interest and valuation gains or losses.
(**) Presented at fair value.

With a view to the correct interpretation of the information contained in the foregoing tables, it should be stated that the assets and liabilities were classified therein in accordance with their contractual terms and conditions and, accordingly, there are liabilities, such as current accounts on the liability side of the consolidated balance sheet, which are more stable and more permanent than “on demand” (the criteria used to classify them in the foregoing tables). Also, the assets classified as financial assets held for trading will generally be realized earlier than their respective maturity dates (the criterion used to classify them in the foregoing tables).

27. Interest rate risk

27.1. On-balance-sheet interest rate risk management objectives, policies and processes

The Group's on-balance-sheet interest rate risk management objectives are as follows:

- To establish appropriate mechanisms to avoid unexpected losses from the impact of changes in interest rates by protecting the net interest margin and the economic value of capital.
- To adopt lending and hedging strategies that offset the financial impact of changes in interest rates at short term (net interest margin) and at long term (economic value of capital).
- To execute lending and hedging strategies that boost the generation of earnings under approved risk limits.

To attain the objectives described above the Group has created an on-balance-sheet structural risk limit structure to guarantee that risk exposure levels are within the tolerance level set by senior management.

The Board of Directors defines the general framework for the management of the balance sheet and approves the risk limits based on its risk tolerance. Structural risks are managed at short, medium and long term using limits that are approved by the Board itself and monitored on a monthly basis.

Senior management is actively involved in on-balance-sheet risk management through the Asset-Liability Committee (ALCO). This committee is responsible for taking the action required to correct any possible on-balance-sheet risk imbalances.

The Market, Balance, and Liquidity Risk Division is responsible for ensuring that the Group's exposure to fluctuations in interest rates remains within the levels approved by the Board, and for measuring, analyzing and monitoring the on-balance-sheet structural risk management performed by the Finance Division.

On-balance-sheet structural interest rate risk can be defined as the exposure of the economic and financial position -resulting from the varying maturity and repricing dates of balance sheet items- to adverse fluctuations in interest rates. This risk is a substantial part of the banking business and can considerably affect the net interest margin and the economic value of capital. Consequently, interest rate risk management that keeps this risk at prudent levels is essential to the security and strength of the Group. (see Notes 2.4 and 11).

27.2. On-balance-sheet interest rate risk measurement

Analysis of the repricing gap

The objective of gap analysis is to measure the excess or shortfall in the volume of sensitive assets over sensitive liabilities, which is the unmatched (and therefore unhedged) volume subject to possible changes in interest rates. Thus, risk exposure is identified by studying the concentration of aggregates with repricing risk for significant time periods.

The interest rate gap reflects the Group's interest rate risk exposure based on the maturity and/or repricing structure of its positions. This indicator enables the Group to be aware of its interest rate risk exposures over the various maturities and thus attempt to ascertain where potential impacts might affect net interest margin and the market value of equity.

The interest rate gap is constructed by distributing by term the sensitive on-balance-sheet and off-balance-sheet "Banking Book" positions and balances. Items having no set maturity or repricing dates are allocated on the basis of historical-behavior assumptions.

The interest rate risk gap at 2013 year-end, at aggregate level, is as follows:

2013:

	0<=1M	1<=2M	2<=3M	3<=4M	4<=5M	5<=6M	6<=12M	1<=2Y	2<=5Y	5<=10Y	10<=20Y	20<=30Y
1. ASSETS	484,234	203,313	173,798	160,094	177,734	143,159	1,102,162	612,778	740,004	204,300	48,300	200,010
1.1. CASH AND BALANCES WITH CENTRAL BANKS	442,955	0	0	0	0	0		0	0	0	0	0
1.2. LOANS AND ADVANCES TO CREDIT INSTITUT	0	0	0	0	0	0		0	0	0	0	0
1.3. LOANS AND ADVANCES TO CUSTOMER	6,026	1,14	985	8,039	9,952	8,159	23,429	2,352	0	0	0	0
1.4. DEBT INSTRUMENTS	91,751	202,173	206,045	152,055	173,322	135,000	1,123,050	610,426	740,004	204,3	48,300	0
1.5. OTHER EQUITY INSTRUMENTS												85,443
1.6. NON-CURRENT ASSETS AND OTHER NON-SENSITIVE	-56,498		-33,232		-5,540	-44,317						114,567
2. LIABILITIES	3,143,106	47,130	47,130	0	0	0	6,506	9,644	122,093	54,227	0	0
2.1. DEPOSITS FROM CREDIT INSTITUTIONS	851,059	0	0	0	0	0	6,506	9,644	31,812	54,227	0	o
2.2. REPURCHASE AGREEMENTS	0	0	0	0	0	0	o	0	0	0	0	0
2.3. CUSTOMER DEPOSITS	2,292,047	47,130	47,130	0	0	0	0	0	90,281	0	0	o
2.4. MARKETABLE DEBT SECURITIES	0	0	0	0	0	0	0	0	0	0	0	o
2.5. SHORT POSITIONS	0	0	0	0	0	0	0	0	0	0	0	o
3. DERIVATIVES	2,201,537	-68,867	-143,400	-123,770	-5,322	-49,000	-961,900	-446,295	-397,590	-5,393	0	0
Gap	-457,335	87,316	-16,732	36,324	172,412	94,159	133,756	156,839	220,321	144,680	48,300	200,010
Cumulative GAP	-457,335	-370,019	-386,751	-350,427	-178,015	-83,857	49,900	206,739	427,060	571,740	620,040	820,050

Simulation of the net interest margin

In order to include a dynamic analysis of the balance sheet to various interest rate scenarios, the Group performs simulations of the performance of the net interest margin over a time horizon of one year. This enables it to analyze the effect of changes due to fluctuations in interest rates based on the repricing gaps of the various balance sheet items.

The scenarios not only are the market implied forward rates, but they include different advanced movements and the stress curves and scenarios.

Sensitivity of the economic value of capital

In order to analyze the sensitivity of the economic value the Group analyses the impact of the use of stressed interest rate curves on the Net Present Value (NPV) calculated using data from the zero coupon curve.

To complete these sensitivity measures, a methodology which is similar to Market VaR is applied to allow the economic value of the capital at risk to be calculated for a one-month time horizon with a confidence level of 99%, taking into account all the risk factors which affect the balance sheet.

Interest rate risk limits

As part of its function of monitoring the Group, the Board of Directors establishes interest rate risk limits in terms of the sensitivity of both the net interest income and economic value to changes in market interest rates.

28. Risk concentration

28.1 Risk concentration by activity and geographical area

Following is a detail, by geographical area of residence of the counterparty, type and category of financial instrument, of the distribution of the carrying amount of the Group's financial assets at 31 December 2013 and 2012:

At 31 December 2013:

Risk Concentration by activity and geographical area.

Total activity (book value):

	THOUSANDS OF EUROS				
	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Credit Institutions	5,078,397	3,893,861	1,064,502	101,295	18,739
Public Administrations	4,526,352	4,526,240	112	-	-
Central Administration	3,967,144	3,967,032	112	-	-
Other	559,208	559,208	-	-	-
Other Credit Institutions	1,769,103	1,708,208	60,895	-	-
Non- financial societies and individual entrepreneurs	57,383	48,269	9,113	-	1
Construction and property development	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-
Other purposes	57,383	48,269	9,113	-	1
- Large companies	53,215	44,101	9,113	-	1
- SMEs and Individual entrepreneurs	4,168	4,168	-	-	-
Rest of households and NPISHs	55,952	55,952	-	-	-
Houses	51,035	51,035	-	-	-
Consumption	4,749	4,749	-	-	-
Other purposes	168	168	-	-	-
Subtotal	11,487,187	10,232,530	1,134,622	101,295	18,740
Minus: Value adjustments for impairment of assets not attributable to specific operations	(4,701)	-	-	-	-
Total	11,482,486	-	-	-	-

Risk Concentration by activity and geographical area. Activity in Spain (book value):

	THOUSANDS OF EUROS									
		AUTONOMOUS COMMUNITIES								
	TOTAL	ANDALUCÍA	ARAGÓN	ASTURIAS	BALEARES	CANARIAS	CANTABRIA	CASTILLA - LA MANCHA	CASTILLA LEÓN	CATALUÑA
Credit Institutions	3,893,861	188,142	157,814	-	291	-	53,050	14,099	-	498,923
Public Administrations	4,526,240	8,371	-	-	-	-	6,613	-	63,442	-
Central Administration	3,967,032	-	-	-	-	-	-	-	-	-
Other	559,208	8,371	-	-	-	-	6,613	-	63,442	-
Other Credit Institutions	1,708,208	95,189	132,058	17	-	1	-	-	90,754	463,135
Non- financial societies and individual entrepreneurs	48,269	-	-	-	22	-	-	-	-	2,851
Construction and property development	-	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
Other purposes	48,269	-	-	-	22	-	-	-	-	2,851
- Large companies	44,101	-	-	-	22	-	-	-	-	2,851
- SMEs and Individual entrepreneurs	4,168	-	-	-	-	-	-	-	-	-
Rest of households and NPISHs	55,952	-	-	-	-	-	-	-	-	-
Houses	51,035	-	-	-	-	-	-	-	-	-
Consumption	4,749	-	-	-	-	-	-	-	-	-
Other purposes	168	-	-	-	-	-	-	-	-	-
Subtotal	10,232,530	291,702	289,872	17	313	1	59,663	14,099	154,196	964,909
Minus: Value adjustments for impairment of assets not attributable to specific operations	4,507	-	-	-	-	-	-	-	-	-
Total	10,228,023	-	-	-	-	-	-	-	-	-

	THOUSANDS OF EUROS								
	AUTONOMOUS COMMUNITIES								
	EXTREMADURA	GALICIA	MADRID	MURCIA	NAVARRA	COM. VALENCIANA	PAÍS VASCO	LA RIOJA	CEUTA Y MELILLA
Credit Institutions	-	74,015	528,682	-	-	2,336,325	42,520	-	-
Public Administrations	-	80,516	393,179	7,087	-	-	-	-	-
Central Administration	-	-	-	-	-	-	-	-	-
Other	-	80,516	393,179	7,087	-	-	-	-	-
Other Credit Institutions	-	21,882	878,406	-	-	26,766	-	-	-
Non- financial societies and individual entrepreneurs	-	4,689	37,010	-	207	205	3,231	54	-
Construction and property development	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-
Other purposes	-	4,689	37,010	-	207	205	3,231	54	-
- Large companies	-	4,689	32,896	-	207	205	3,231	-	-
- SMEs and Individual entrepreneurs	-	-	4,114	-	-	-	-	54	-
Rest of households and NPISHs	-	-	55,952	-	-	-	-	-	-
Houses	-	-	51,035	-	-	-	-	-	-
Consumption	-	-	4,749	-	-	-	-	-	-
Other purposes	-	-	168	-	-	-	-	-	-
Subtotal	-	181,102	1,893,229	7,087	207	2,363,296	45,751	54	-
Minus: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

At 31 December 2012:

Risk Concentration by activity and geographical area.

Total activity (book value):

	THOUSANDS OF EUROS				
	TOTAL	SPAIN	REST OF THE EUROPEAN UNION	AMERICA	REST OF THE WORLD
Credit Institutions	7,939,594	6,602,478	1,208,247	106,528	22,341
Public Administrations	3,829,296	3,829,271	25	-	-
Central Administration	3,554,117	3,554,117	-	-	-
Other	275,179	275,154	25	-	-
Other Credit Institutions	2,440,589	2,271,720	168,869	-	-
Non- financial societies and individual entrepreneurs	79,942	61,697	18,245	-	-
Construction and property development	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-
Other purposes	79,942	61,697	18,245	-	-
- Large companies	4,313	4,313	-	-	-
- SMEs and Individual entrepreneurs	75,629	57,384	18,245	-	-
Rest of households and NPISHs	56,395	56,395	-	-	-
Houses	51,258	51,258	-	-	-
Consumption	4,924	4,924	-	-	-
Other purposes	213	213	-	-	-
Subtotal	14,345,816	12,821,561	1,395,386	106,528	22,341
Minus: Value adjustments for impairment of assets not attributable to specific operations	(6,999)	-	-	-	-
Total	14,338,817	-	-	-	-

Risk Concentration by activity and geographical area.

Activity in Spain (book value):

	THOUSANDS OF EUROS									
		AUTONOMOUS COMMUNITIES								
	TOTAL	ANDALUCÍA	ARAGÓN	ASTURIAS	BALEARES	CANARIAS	CANTABRIA	CASTILLA - LA MANCHA	CASTILLA LEÓN	CATALUÑA
Credit Institutions	6,602,478	146,745	39,294	-	20,480	-	210,031	15,169	-	584,178
Public Administrations	3.829,271	6,568	4,922	-	-	-	8,288	-	29,602	-
Central Administration	3.554,117	-	-	-	-	-	-	-	-	-
Other	275,154	6,568	4,922	-	-	-	8,288	-	29,602	-
Other Credit Institutions	2.271,720	-	148,194	-	-	-	-	-	102,425	730,344
Non- financial societies and individual entrepreneurs	61,697	-	-	-	29	-	-	-	-	2,305
Construction and property development	-	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-	-
Other purposes	61,697	-	-	-	29	-	-	-	-	2,305
- Large companies	4,313	-	-	-	-	-	-	-	-	-
- SMEs and Individual entrepreneurs	57,384	-	-	-	29	-	-	-	-	2,305
Rest of households and NPISHs	56,395	-	-	-	-	-	-	-	-	-
Houses	51,258	-	-	-	-	-	-	-	-	-
Consumption	4,924	-	-	-	-	-	-	-	-	-
Other purposes	213	-	-	-	-	-	-	-	-	-
Subtotal	12,821,561	153,313	192,410	-	20,509	-	218,319	15,169	132,027	1,316,827
Minus: Value adjustments for impairment of assets not attributable to specific operations	(6,783)	-	-	-	-	-	-	-	-	-
Total	12,814,778	-	-	-	-	-	-	-	-	-

	EXTREMADURA	GALICIA	MADRID	MURCIA	NAVARRA	COM. VALENCIANA	PAÍS VASCO	LA RIOJA	CEUTA Y MELILLA
	THOUSANDS OF EUROS								
	AUTONOMOUS COMMUNITIES								
Credit Institutions	-	383,611	1,749,120	-	-	3,399,867	53,983	-	-
Public Administrations	-	44,518	175,300	5,956	-	-	-	-	-
Central Administration	-	-	-	-	-	-	-	-	-
Other	-	44,518	175,300	5,956	-	-	-	-	-
Other Credit Institutions	-	29,644	1,181,145	-	-	28,050	51,918	-	-
Non- financial societies and individual entrepreneurs	-	4,503	51,409	-	230	218	2,949	54	-
Construction and property development	-	-	-	-	-	-	-	-	-
Construction of Civil Works	-	-	-	-	-	-	-	-	-
Other purposes	-	4,503	51,409	-	230	218	2,949	54	-
Large companies	-	-	4,192	-	-	121	-	-	-
SMEs and Individual entrepreneurs	-	4,503	47,217	-	230	97	2,949	54	-
Rest of households and NPISHs	-	-	56,395	-	-	-	-	-	-
Houses	-	-	51,258	-	-	-	-	-	-
Consumption	-	-	4,924	-	-	-	-	-	-
Other purposes	-	-	213	-	-	-	-	-	-
Subtotal	-	462,276	3,213,369	5,956	230	3,428,135	108,850	54	-
Minus: Value adjustments for impairment of assets not attributable to specific operations	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

28.2. Concentration of equity instruments

Following is a detail, by type of instrument portfolio, type of market listing, if any, and issuer, of the equity instruments held by the Group at 31 December 2013 and 2012:

31 December 2013:

	THOUSANDS OF EUROS		
	FINANCIAL ASSETS HELD FOR TRADING (NOTE 8.1)	AVAILABLE-FOR-SALE FINANCIAL ASSETS (NOTE 9)	TOTAL
By market listing-			
Shares listed in the Spanish secondary market	53,309	3,221	56,530
Shares listed in secondary markets in the rest of the world	1,172	16,245	17,417
Unlisted shares	-	24,224	24,224
	54,481	43,690	98,171
By issuer type-			
Spanish financial institutions	26,091	4,800	30,891
Other Spanish companies	27,218	30,518	57,736
Other foreign companies	1,172	8,372	9,544
	54,481	43,690	98,171

31 December 2012:

	THOUSANDS OF EUROS		
	FINANCIAL ASSETS HELD FOR TRADING (NOTE 8.1)	AVAILABLE-FOR-SALE FINANCIAL ASSETS (NOTE 9)	TOTAL
By market listing-			
Shares listed in the Spanish secondary market	51,440	14,783	66,223
Shares listed in secondary markets in the rest of the world	465	25,043	25,508
Unlisted shares	-	43,308	43,308
	51,905	83,134	135,039
By issuer type-			
Spanish financial institutions	27,615	11,548	39,163
Other Spanish companies	23,825	45,300	69,125
Other foreign companies	465	26,286	26,751
	51,905	83,134	135,039

29. Welfare fund

Confederación Española de Cajas de Ahorros, within the framework of its welfare projects, finances Fundación de las Cajas de Ahorros (FUNCAS), a private not-for-profit organisation that engages in activities that benefit Spanish society, promote saving, and contribute to the raising of public awareness of savings banks by facilitating the service provided by them to society.

In particular, the objectives of the Fundación are:

- the promotion of economic and social studies and research,
- the organisation of public events, and
- cultural dissemination in the broadest sense of the term and the fostering of all activities leading to a heightened awareness of the Spanish economy and society, thus encouraging useful recommendations regarding economic and social policy.

At 31 December 2013 and 2012 and throughout those years, the Confederación's Welfare fund was not invested in any tangible or intangible assets.

The changes in 2013 and 2012 in the balance of "Welfare Fund" on the liability side of the consolidated balance sheets are as follows:

	THOUSANDS OF EUROS	
	2013	2012
Beginning balance before distribution of profit	215	215
Transfer charged to prior period profit (Note 4)	8,000	3,715
Maintenance expenses for the year:		
Depreciation/amortization of assets assigned to welfare projects	-	-
Budgeted current expenses for the year	(8,000)	(3,715)
Other expenses from previous years	-	-
Ending balance before distribution of profit	215	215

30. Other significant disclosures

30.1 Contingent liabilities

The breakdown of the balance of "Memorandum Items – Contingent Liabilities" in the consolidated balance sheets at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Financial guarantees provided-		
Financial bank guarantees	-	15,094
Documentary credits	20,233	19,903
	20,233	34,997
Other bank guarantees and indemnities	57,547	48,282
	77,780	83,279

"Financial Guarantees Provided" are defined as the amounts that would be payable by the Group on behalf of third parties as a result of the commitments assumed by the Group in the course of its ordinary business, if the parties who are originally liable to pay fail to do so. Note 24 includes information on the credit risk assumed by the Group in relation to financial guarantees provided.

A significant portion of these guarantees will expire without any payment obligation materializing for the Group and, therefore, the aggregate balance of these commitments cannot be considered as an actual future need for financing or liquidity to be provided by the Group to third parties.

The fee and commission income from these financial guarantees is recognized under "Fee and Commission Income" in the consolidated income statement (see Note 34).

The provisions made to cater for the financial guarantees provided, which were calculated using criteria similar to those applied in the calculation of the impairment of financial assets measured at amortized cost, were recognized under "Provisions - Provisions for Contingent Liabilities and Commitments" in the consolidated balance sheet (see Note 18).

30.2. Assets delivered as security

At 31 December 2013 and 2012, assets owned by the Group had been provided as security for transactions performed by it or by third parties, as well as for various liabilities and contingent liabilities assumed by the Group. The nominal amount, of the financial assets delivered as security for these liabilities, contingent liabilities and similar items at 31 December 2013 and 2012 was as follows:

	THOUSANDS OF EUROS	
	2013	2012
Spanish government debt securities classified as available-for-sale financial assets	1,102,646	1,071,772
Securities issued by other public institutions	104,806	-
Other securities classified as available-for-sale financial assets	535,950	747,200
	1,743,402	1,818,972

At 31 December 2013, the Confederación had securities with a face value of EUR 1,743,402 thousand (31 December 2012: EUR 1,818,972 thousand) as security for the performance of the Group's obligations relating to transactions with the clearing and settlement services.

In addition, at 31 December 2013, the Group had entered into repurchase agreements for securities in its portfolio and reverse repurchase agreements for a total amount of EUR 1,654,987 thousand (31 December 2012: EUR 2,895,290 thousand).

"Memorandum Item: Loaned or Advanced as Collateral", which is shown in each of the Group's financial asset categories in the consolidated balance sheets at 31 December 2013 and 2012, includes the amount of financial assets transferred, lent out or delivered as security in which the assignee is entitled, contractually or by custom, to retransfer them or pledge them as security, such as securities lending transactions or sales of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, other than those blocked or immobilized to the clearing and settlement services listed above.

30.3. Contingent commitments

The breakdown of the balance of "Contingent Commitments" at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Drawable by third parties (Note 24):		
Public sector – Spain	64,400	383,572
Credit institutions	15,459	7,246
Other resident sectors	38,937	226,592
Non-resident sectors	300	300
	119,096	617,710
Financial asset forward purchase commitments	10,485	3,966
Regular way financial asset purchase contracts	380,654	52,618
Other contingent commitments	113,242	212,262
From which: Doubtful	-	54,743
	623,477	886,556

30.4. Transactions for the account of third parties

The breakdown of the most significant transactions for the account of third parties at 31 December 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Financial instruments entrusted by third parties	84,762,948	112,612,221
Conditional bills and other securities received for collection	107,089	92,298
Borrowed securities (Note 30.5)	24,361	12,296
	84,894,398	112,716,815

30.5 Financial assets lent and borrowed

Pursuant to current legislation, the securities received by the Group in securities lending transactions are not recognized in the consolidated balance sheet unless the Group sells these securities in short sales transactions, in which case they are recognized as financial liabilities under “Financial Liabilities Held For Trading - Short Positions” on the liability side of the consolidated balance sheet (see Note 8).

Similarly, securities lending transactions in which the Group lends securities to third parties are not recognized in the consolidated balance sheet. The securities lent can be securities previously lent to the Group or securities owned by it, and in the latter case these are not derecognized.

Deposits provided or received as security or guarantee for the securities received or lent by the Group, respectively, are accounted for as a financial asset or a financial liability, respectively, and the interest associated therewith is recognized as interest and similar income or as interest expense and similar charges, respectively, in the consolidated income statement, by applying the corresponding effective interest rate.

Following is a detail of the fair value of the financial assets borrowed and lent by Group in securities lending transactions at 31 December 2013 and 2012:

	THOUSANDS OF EUROS	
	2013	2012
Securities lent by the Group-		
Equity instruments-		
Issued by credit institutions	-	2,037
Issued by other resident sectors	-	3,175
Issued by other non-resident sectors	-	1,618
Debt instruments-		
Issued by credit institutions	-	-
Issued by other resident sectors	-	-
Issued by Public Spanish Administrations	-	-
Issued by European Administrations	388,850	-
	388,850	6,830
Securities borrowed by the Group- (Note 30.4)		
Equity instruments-		
Issued by credit institutions	-	4,926
Issued by other resident sectors	-	-
Issued by other non-resident sectors	-	1,300
Debt instruments		
Issued by Public sector – Spain	-	6,070
Issued by credit institutions	24,361	-
	24,361	12,296

Finance income recognized by the Group in 2013 in relation to securities lent totaled EUR 372 thousand (2012: EUR 3,231 thousand) and is recognized under "Interest and Similar Income" in the consolidated income statement for 2013 (see Note 31).

In 2013, finance costs relating to securities borrowed amounted to EUR 333 thousand (2012: EUR 4,121 thousand) and were recognized under "Interest Expense and Similar Charges" in the consolidated income statement for 2013 (see Note 32).

30.6 The Group's Customer Care Service

Following is a summary of the complaints and claims received by the Cecabank, S.A.'s Customer Care Service in 2013 and 2012, Cecabank, S.A. being the only Group entity providing this service, pursuant to the applicable legislation. Claims made to the service which were not admitted for consideration in 2013 and 2012 relate to claims affecting entities other than the Cecabank, S.A.:

	2013	2012
Number of complaints and claims received	5	54
Number of complaints and claims admitted for consideration	1	-
Number of complaints and claims resolved	-	-
Number of complaints and claims resolved in favour of the complainant	-	-
Number of complaints and claims resolved against the claimant	1	-
Compensation paid to claimants	-	-
Number of complaints and claims outstanding	-	-

30.7. Revaluation of assets

The Group did not avail itself of the process for revaluing the tax value of certain properties as defined by Law 16/2012, of 27 December, adopting various tax measures aimed at consolidating public finances and boosting economic activity, which enables entities, provided certain requirements are met, to revalue certain assets on their balance sheets.

31. Interest and similar income

The breakdown of the most important interest and similar income earned by the Group in 2013 and 2012, by type of instrument giving rise to it, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Balances with central banks	214	944
Loans and advances to credit institutions	6,335	11,405
Loans and advances to customers		
Non-resident public sector	558	-
Money market operations through counterparties	959	1,621
Other resident sectors	4,381	4,605
Other non-resident sectors	135	182
Debt instruments	121,443	182,745
Finance income from securities lending transactions (Note 30.5)	372	3,231
Other interest	19	829
Rectification of income as result of hedging transactions	(4,753)	(19,171)
	129,663	186,391

Additionally, the breakdown of the amounts recognized under "Interest and Similar Income" in the consolidated income statements for 2013 and 2012, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Balances with central banks	214	944
Financial assets held for trading	20,647	24,394
Available-for-sale financial assets	95,918	134,953
Other financial assets at fair value through profit or loss	9,194	7,863
Loans and receivables	8,071	34,177
Securities lending transactions (Note 30.5)	372	3,231
Rectification of income as result of hedging transactions	(4,753)	(19,171)
	129,663	186,391

Note 5 contains information on the breakdown by geographical areas in which "Interest and Similar Income" is generated.

32. Interest expense and similar charges

The detail of the balance of "Interest Expense and Similar Charges" in the consolidated income statements for 2013 and 2012, by type of instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Bank of Spain	9,859	11,778
Other central banks	-	338
Deposits from credit institutions	11,332	20,272
Customer deposits	6,728	5,019
Money market operations through counterparties	5,477	11,188
Cost attributable to pension funds (Note 38)	1,089	1,498
Finance costs attributable to securities lending transactions (Note 30.5)	333	4,121
Other interest	8	3,269
Rectification of income as result of hedging transactions	1,326	658
	36,152	58,141

The breakdown of the amounts recognized under "Interest Expense and Similar Charges" in the consolidated income statements for 2013 and 2012, by type of financial instrument category giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Financial liabilities held for trading - Short positions	9,959	5,866
Financial liabilities at amortized cost	23,106	29,269
Securities lending (Note 30.5)	333	4,121
Other financial liabilities at fair value through profit or loss	331	13,460
Other liabilities	1,097	4,767
Rectification of income as result of hedging transactions	1,326	658
	36,152	58,141

33. Income from equity instruments

The balance of "Income from Equity Instruments" in the consolidated income statement amounts to EUR 4,762 thousand at 31 December 2013 (31 December 2012: EUR 18,551 thousand). These amounts are mainly related to dividends on assets held for trading and dividends on loans granted by the Group.

34. Fee and commission income

Following is a detail of the fee and commission income earned in 2013 and 2012, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2013	2012
Fee and commission income -		
Fees and commissions arising from contingent liabilities (Note 30.1)	1,289	16,096
Fees and commissions arising from contingent commitments	308	1,504
Fees and commissions arising from collection and payment services	39,596	51,757
Fees and commissions arising from securities services (*)	56,008	36,734
Fees and commissions arising from foreign currency and foreign banknote exchange	646	519
Other fees and commissions	7,271	5,190
	105,118	111,800

(*) In 2013, this item included, EUR 49,856 thousand relating to custody services in connection with securities of third parties deposited at Cecabank, S.A. (2012: EUR 30,593 thousand).

Note 5 contains information on the breakdown by geographical areas in which "Fee and Commission Income" is generated.

35. Fee and commission expense

Following is a detail of the fee and commission expense incurred in 2013 and 2012, classified on the basis of the main items giving rise thereto:

	THOUSANDS OF EUROS	
	2013	2012
Fee and commission expense -		
Fees and commissions assigned to other entities and correspondents	17,454	25,498
Fee and commission expenses on securities transactions	6,783	7,923
	24,237	33,421

36. Net gains/losses on financial assets and liabilities

The breakdown of the balance of "Gains/Losses on Financial Assets and Liabilities" in the consolidated income statements for 2013 and 2012, by type of financial instrument giving rise to them, is as follows:

	THOUSANDS OF EUROS	
	Income/(Expenses)	
	2013	2012
Financial assets and liabilities held for trading	7,151	(7,683)
Trading derivatives	(13,603)	(4,302)
Debt instruments	6,245	9,337
Equity instruments	10,583	(12,195)
Short positions	3,926	(523)
Other financial instruments at fair value through profit or loss	(374)	2,991
Reverse repurchase agreements	(483)	518
Deposits of the Bank of Spain	-	-
Repurchase agreements	109	2,473
Available-for-sale financial assets	13,092	1,850
Loans and receivables	991	3,400
Results of hedging instruments	4,409	8,036
Results of hedged items	(4,330)	(1,666)
	20,939	6,928

Note 5 contains information on the breakdown by geographical areas in which "Financial Operations Income" is generated.

37. Other operating income

The breakdown of the balance of “Other Operating Income” in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Rental income (Note 14)	1,241	867
Costs recovered through their inclusion in the cost of intangible assets	-	249
Income from Confederación membership dues	8,000	13,429
Costs passed on to savings banks	19,099	18,712
Other income	29,574	38,615
	57,914	71,872

The balance of “Income from Confederación Membership Dues” in the foregoing table includes the dues collected from federated savings banks under the agreements between the latter and the Confederación (see Note 1).

Note 5 contains information on the breakdown by geographical areas in which “Other operating income” is generated.

38. Administrative expenses – Staff costs

The detail of “Administrative Expenses – Staff Costs” in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Wages and salaries	53,038	51,640
Social security costs	7,635	8,190
Insurance premiums (Note 2.11.2)	545	740
Termination Benefits (Note 2.11.4)	1,700	(3,114)
Contributions to defined contribution plans (Note 2.11.2)	1,755	348
Normal cost for the year of defined benefit obligations	32	53
Income from insurance policies	(53)	(30)
Training expenses	77	112
Other staff costs	556	637
	65,285	58,576

In 2013 and 2012, the average number of employees at the Group, by level, was as follows:

	NUMBER OF EMPLOYEES	
LEVELS	2013	2012
1 - LEVEL I	6	6
1 - LEVEL II	18	22
1 - LEVEL III	25	31
1 - LEVEL IV	46	53
1 - LEVEL V	59	60
1 - LEVEL VI	133	140
1 - LEVEL VII	61	63
1 - LEVEL VIII	113	114
1 - LEVEL IX	30	32
1 - LEVEL X	29	27
1 - LEVEL XI	43	47
1 - LEVEL XII	5	11
1 - LEVEL XIII	-	-
2 - LEVEL I	-	-
2 - LEVEL II	6	6
2 - LEVEL III	-	-
2 - LEVEL IV	2	2
2 – LEVEL V	-	-
OTHER	21	24
TOTAL	597	638

At 31 December 2013 the total number of employees was 575 (2012: 607), of which 280 were men (2012: 294) and 295 women (2012: 313), representing 49% and 51%, respectively (2012: 48% and 52%).

Pre-retirements to current and former employees of the Group described in Note 2.11 above, a detail of these obligations is presented below, making a distinction between those that are instrumented, in full or in part, in pension funds and insurance policies, and those that are not instrumented in this type of instrument and where the associated obligation is covered by the recognition of provisions by the Group:

At 31 December 2013

	THOUSANDS OF EUROS						
	POST-EMPLOYMENT BENEFITS			LONG-TERM PRE-RETIREMENT OBLIGATIONS			
	VALUE OF THE OBLIGATION (I)	VALUE OF THE PLAN ASSETS (II)	TOTAL (III = I – II)	VALUE OF THE OBLIGATION (IV)	VALUE OF THE PLAN ASSETS (V)	TOTAL (VI = IV – V)	TOTAL (III + VI) (*)
Instrumented in external pension plans and/or insurance policies	184,136	182,368	1,768	-	-	-	1,768
Not instrumented in pension plans or insurance policies	-	-	-	97,322	-	97,322	97,322
Total at 31 December 2013	184,136	182,368	1,768	97,322	-	97,322	99,090

(*)This amount was recognised under "Provisions - Provisions for Pensions and Similar Obligations" on the liability side of the balance sheet at 31 December 2013.

At 31 December 2012

	THOUSANDS OF EUROS						
	POST-EMPLOYMENT BENEFITS			LONG-TERM PRE-RETIREMENT OBLIGATIONS			
	VALUE OF THE OBLIGATION (I)	VALUE OF THE PLAN ASSETS (II)	TOTAL (III = I – II)	VALUE OF THE OBLIGATION (IV)	VALUE OF THE PLAN ASSETS (V)	TOTAL (VI = IV – V)	TOTAL (III + VI) (*)
Instrumented in external pension plans and/or insurance policies	158,550	154,078	4,472	-	-	-	4,472
Not instrumented in pension plans or insurance policies	-	-	-	89,097	-	89,097	89,097
Total at 31 December 2012	158,550	154,078	4,472	89,097	-	89,097	93,569

(*)This amount was recognised under "Provisions - Provisions for Pensions and Similar Obligations" on the liability side of the balance sheet at 31 December 2012.

As can be seen in the foregoing table, a significant proportion of the Group's pension and other long-term obligations are instrumented in external pension plans or are covered by insurance policies and, therefore, in the coming years, the settlement of these obligations is not expected to have a material effect on the Group's future cash flows. However, the following sections include a sensitivity analysis of the impact that a change in certain variables included in the valuation would have on the amounts presented in these financial statements. In this regard, it should be noted that the average duration of the pension obligations included in the foregoing tables at 31 December 2013 was 25.21 years for assets and 10.73 for liabilities. Furthermore, the duration of other long-term obligations was 2.89 years for pre-retired employees of 2011 and 2012, and 4.48 years for pre-retired employees of 2013.

Following is the reconciliation of the beginning and ending balances in 2013 and 2012 of the present value of the defined benefit post-employment obligations and long-term pre-retirement obligations, showing separately the plan assets, the present value of these obligations and the items triggering the changes in these items in these years:

2013

	THOUSANDS OF EUROS						
	POST-EMPLOYMENT BENEFITS			LONG-TERM PRE-RETIREMENT OBLIGATIONS			
	VALUE OF THE OBLIGATION (I)	VALUE OF THE PLAN ASSETS (II)	TOTAL (III = I – II)	VALUE OF THE OBLIGATION (IV)	VALUE OF THE PLAN ASSETS (V)	TOTAL (VI = IV – V)	TOTAL (III + VI)
1. Amount at 1 January 2013	158,550	154,078	4,472	89,097	-	89,097	93,569
2. Current service cost (1)	32	-	32	25,745	-	25,745	25,777
3. Expected return on plan assets	-	7,062	(7,062)	-	-	-	(7,062)
4. Interest cost	7,253	-	7,253	898	-	898	8,151
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Bank	-	24	(24)	-	-	-	(24)
7. Effect of the recalculation on the valuation of the net obligations:	-	-	-	-	-	-	-
7.1 Actuarial gains and losses arising as a result of changes in the demographic assumptions	(445)	(288)	(157)	(2,619)	-	(2,619)	(5,542)
7.2 Actuarial gains and losses arising as a result of changes in the financial assumptions	29,930	32,696	(2,766)				
7.3 Effect of the change in return on plan assets	-	-	-	-	-	-	-
8. Benefits paid	(10,914)	(10,914)	-	(15,799)	-	(15,799)	(15,799)
9. Past service cost	-	-	-	-	-	-	-
10. Business combinations	-	-	-	-	-	-	-
11. Plan reductions	(270)	(290)	20	-	-	-	20
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
Amount at 31 December 2013	184,136	182,368	1,768	97,322	-	97,322	99,090

(1) The addition amounting to EUR 25,745 thousand to the long-term pre-retirement obligations provision relates to coverage of the pre-retirement agreement entered into in 2013 with the workers' representatives (see Note 2.11.3.1), and was recognised with a charge to "Provisions (Net)" in the income statement for 2013 (see Note 18).

2012

	THOUSANDS OF EUROS						
	POST-EMPLOYMENT BENEFITS			LONG-TERM PRE-RETIREMENT OBLIGATIONS			
	VALUE OF THE OBLIGATION (I)	VALUE OF THE PLAN ASSETS (II)	TOTAL (III = I – II)	VALUE OF THE OBLIGATION (IV)	VALUE OF THE PLAN ASSETS (V)	TOTAL (VI = IV – V)	TOTAL (III + VI)
1. Amount at 1 January 2012	166,042	159,923	6,119	59,348	-	59,348	65,467
2. Current service cost	53	-	53	39,959	-	39,959	40,012
3. Expected return on plan assets	-	7,333	(7,333)	-	-	-	(7,333)
4. Interest cost	7,595	-	7,595	1,236	-	1,236	8,831
5. Contributions made by the participants of the plan	-	-	-	-	-	-	-
6. Contributions made by the Bank	-	19	(19)	-	-	-	(19)
7. Effect of the recalculation on the valuation of the net obligations (actuarial gains and losses)	(3,847)	32	(3,879)	(590)	-	(590)	(4,469)
8. Benefits paid	(11,051)	(11,051)	-	(10,856)	-	(10,856)	(10,856)
9. Past service cost	-	-	-	-	-	-	-
10. Business Combinations	-	-	-	-	-	-	-
11. Plan reductions	(242)	(2,178)	1,936	-	-	-	1,936
12. Plan settlements	-	-	-	-	-	-	-
13. Limits on the recognition of net assets for exceeding the maximum available economic benefits	-	-	-	-	-	-	-
Amount at 31 December 2012	158,550	154,078	4,472	89,097	-	89,097	93,569

The amount recognised by the Group in relation to the current service cost for defined benefit plans in 2013 amounted to EUR 32 thousand. It was recognised under "Administrative Expenses - Staff Costs" in the accompanying income statement (2012: EUR 53 thousand).

In addition, the Group recognised the net amount of the expected return on plan assets and the interest cost of the value of the obligation, which amounted to EUR 1,089 thousand in 2013, under "Interest Expense and Similar Charges" in the income statement (2012: EUR 1,498 thousand) (see Note 32).

In addition, the Group recognised a charge of EUR 23,146 thousand under "Provisions (Net)" in the income statement for 2013 for the provisions and recoveries of provisions for pensions and similar obligations (2012: EUR 41,286 thousand) the detail of which is presented below (see Note 18):

THOUSANDS OF EUROS

	Gains/Losses	
	2013	2012
Current service cost for long-term pre-retirement obligations (1)	25,745	39,959
Actuarial gains and losses arising from the valuation of the long-term pre-retirement obligations	(2,619)	(590)
Net amount of the reductions of the obligations and of the defined benefit plan assets	20	1,936
Other	-	(19)
	23,146	41,286

(1) Relate to the pre-retirement plans entered into with the workers' representatives in 2013 and 2012, respectively (see Note 2.11).

The assumptions used in the actuarial calculations at 31 December 2013 and 2012 of the pension and other long-term obligations and of the assets used to cover them, included in the foregoing table, were as follows:

At 31 December 2013:

Post-employment obligations

- PERM 2000-P mortality tables.
- Discount rate:
  - 3.06% for assets (market discount rate)
  - 2.80% for liabilities (market discount rate)
- Adjustable pension increase rate of 1.50%.
- Adjustable salary increase rate of 2.68%.
- Expected rate of return on pension plan assets
  - Expected rate of return on pension plan assets of 4.27%.
  - Expected increase rates of 4.75% for obligations convered by insurance policies.

Other long-term obligations

- PRM-2000P mortality tables.
- Discount rate (market discount rate):
  - 1.43% increase in adjustable pre-retirement salaries for 2011
  - 1.43% increase in adjustable pre-retirement salaries for 2012
  - 1.71% increase in adjustable pre-retirement salaries for 2013
- Wage growth:
  - 1.5% increase in adjustable pre-retirement salaries for 2011
  - 0.0% increase in adjustable pre-retirement salaries for 2012
  - 0.0% increase in adjustable pre-retirement salaries for 2013

The discount rate used was the market rate according to the financial term of the flows relating to the obligations and according to the IBOXX yield relating to corporate bonds with a high credit rating (AA).

Set forth below is the sensitivity analysis at 31 December 2013, which considers how the value of the defined benefit pension obligations and of long-term obligations would have changed in the event of a 50 basis point upward or downward shift in the discount rate used and in, where appropriate, the pension increase rate, with the other assumptions used remaining unchanged at that date:

Post-employment benefits

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 10,011 thousand reduction and a EUR 10,986 thousand increase, respectively, in the value of the obligations.

A 50 basis point upward/downward shift in the pension increase rate would give rise to an EUR 11,297 thousand reduction and a EUR 10,358 thousand increase, respectively, in the value of the obligations.

Long-term pre-retirement obligations

A 50 basis point upward/downward shift in the discount rate used would give rise to a EUR 1,637 thousand reduction and a EUR 1,686 thousand increase, respectively, in the value of the obligations.

With regard to the sensitivity analysis described above, it should be noted that, for the other actuarial assumptions used in the valuation of the obligations at 31 December 2013, changes that might significantly affect the value of the obligations in the future are not considered likely to occur.

Following is a detail, by nature, of the assets assigned to the coverage of the Group's pension and other defined benefit long-term obligations at 31 December 2013 and 2012 shown in the foregoing tables:

	THOUSANDS OF EUROS					
	2013			2012		
	PENSION OBLIGATIONS	OTHER LONG-TERM OBLIGATIONS	TOTAL	PENSION OBLIGATIONS	OTHER LONG-TERM OBLIGATIONS	TOTAL
Pension fund	3,381	-	3,381	3,349	-	3,349
Insurance policies taken out with CASER	178,987	-	178,987	150,729	-	150,729
Total at 31 December 2013	182,368	-	182,368	154,078	-	154,078

The pension fund referred to in the table is the CECA employees' pension plan ("Plan de pensiones de los empleados de CECA"), which forms part of the pension fund for the employees of the Spanish Confederation of Savings Banks ("Fondo de Pensiones de Empleados de la Confederación Española de Cajas de Ahorros"). The latter comprises the defined contribution and defined benefit obligations to the Group's current and former employees (see Note 2.11). The detail, by principal asset category and related fair value, of this fund's assets at 31 December 2013 and 2012, is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Quoted Spanish government debt	48.64%	42.04%
Quoted private fixed-income securities	13.96%	19.28%
Unquoted private fixed-income securities	0.00%	0.00%
Quoted equity securities	17.42%	17.73%
Unquoted equity securities	0.00%	0.00%
Cash and bank balances	13.11%	13.81%
Other assets (1)	6.87%	7.14%
Total	100%	100%

(1) The fund's assets do not include properties or items of property plant and equipment.

With regard to the assets of the pension fund included in the foregoing table, it should be noted that at 31 December 2013 and 2012 there were no financial assets relating to assets issued by the Group.

Following is the detail, at 31 December 2013 and 2012, of the present value of the obligations and of the fair value of the plan assets covering the pension and other long-term obligations (pre-retirements) held by the Group, together with the experience adjustments (in terms of actuarial gains and losses recognised at those dates as part of the Group's equity as consolidated valuation adjustments and as minority interest the corresponding post-employment defined-benefit obligations, and with charge to the profit and loss statement the corresponding to other long-term obligations (pre-retirements):

	THOUSANDS OF EUROS					
	PENSION OBLIGATIONS			OTHER LONG-TERM OBLIGATIONS		
	PRESENT VALUE OF THE OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	NET AMOUNT	PRESENT VALUE OF THE OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	NET AMOUNT
31 December 2013	184,136	182,368	1,768	97,322	-	97,322
Actuarial gains and losses at that date	29,485	32,408	(2,923)	(2,619)	-	(2,619)
31 December 2012	158,550	154,078	4,472	89,097	-	89,097
Actuarial gains and losses at that date	(3,847)	32	(3,879)	(590)	-	(590)

The Group’s best estimate of the contributions to be made to the various defined benefit pension plans and similar obligations to the Group’s current and former employees in 2014 is EUR 11 thousand.

The detail of the actuarial gains and losses recognised under "Valuation Adjustments - Other Valuation Adjustments" at the beginning and end of 2012 and 2013 and of the changes therein in those years is as follows:

	THOUSANDS OF EUROS		
	ATTRIBUTABLE TO THE PARENT ENTITY	ATTRIBUTABLE TO MINORITY INTERESTS	TOTAL
Balance at 1 January 2012	**(1,437)**	**-**	**(1,437)**
Effect of the change in policy due to regulatory changes	2,419	297	2,716
Effect of the limit on the recognition of plan assets	-	-	-
Balance at 31 December 2012	**982**	**297**	**1,279**
Actuarial gains and losses in 2013	1,823	223	2,046
Effect of the limit on the recognition of plan assets	-	-	-
Balance at 31 December 2013	**2,805**	**520**	**3,325**

39. Administrative expenses - Other general administrative expenses

The detail of the balance of "Administrative Expenses - Other General Administrative Expenses" in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Property, fixtures and supplies	4,761	4,778
IT equipment	33,307	37,249
Communications	2,758	3,389
Advertising and publicity	322	358
Technical reports	2,584	3,820
Surveillance and cash courier services	6,898	5,588
Insurance and self-insurance premiums	254	242
Governing and control bodies	622	890
Outsourced administrative services	1,504	9,337
Levies and taxes	1,384	1,398
Entertainment and travel expenses	638	967
Association membership fees	934	1,916
External personnel	1,401	1,168
Subscriptions and publications	2,567	3,996
Other administrative expenses	12,126	1,300
	72,060	76,396

The balance of "Technical Reports" in 2013 includes the fees paid for the audit of the financial statements of the various Group and jointly controlled entities and other non-attest services, the detail being as follows:

	THOUSANDS OF EUROS	
	2013	2012
Audit services	210	223
Other review services	170	184
Total audit related services	380	407
Tax advisory services	247	133
Other services	39	579
	286	712
Total Services	666	1,119

The services provided by the auditor to the Group comply with the Independence Requirements established in Royal Decree Law 1/2011, of 1 July, which approved the Revised Text of the Account Auditing Legislation and the regulation that develops it.

Disclosures on deferred payments to suppliers. Additional provision three. Disclosure Requirements, set out in Law 15/2010 of 5 July

Pursuant to Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on combating late payment in commercial transactions, which was implemented by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 December 2010, on disclosures to be included in the notes to financial statements with regard to the payment periods to suppliers in commercial transactions, it is hereby stated that:

- Given the activity carried on by the Group (financial business), the information presented in this Note on payment periods relates exclusively to payments to suppliers for the provision of sundry services and supplies to the Group, other than payments to depositors, which were made in all cases in strict compliance with the contractual and legal terms established for each of them, whether they were liabilities payable on demand or with deferred payment. Neither does this Note include information on payments to suppliers excluded from the scope of this disclosure obligation pursuant to the aforementioned ICAC Resolution, such as payments to non-current asset suppliers that are not considered to be trade creditors.

- With regard to the disclosures required by Law 15/2010, of 5 July, relating to trade suppliers and the suppliers of services to the Group, set forth below is the information required by the aforementioned law, with the scope defined in the preceding paragraph:

2013:

	THOUSANDS OF EUROS	
	PAYMENTS DURING 2013 AND PAYABLE PAYMENTS AT YEAR ENDED 2013	
	Importe	% (1)
Within maximum legal period (2)	103,378	100
Other	-	-
Total	103,378	100
Exceeded weighted average terms of payments (as days)	-	-
Deferrals that exceed maximum legal period at year ended 2013	-	-

(1) Percentage of the total.

(2) The maximum payment period is, in each case, that corresponding to the nature of the goods or services received by the Group in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions.

2012:

	THOUSANDS OF EUROS	
	PAYMENTS DURING 2012 AND PAYABLE PAYMENTS AT YEAR ENDED 2012	
	Importe	% (1)
Within maximum legal period (2)	106,120	100
Other	-	-
Total	106,120	100
Exceeded weighted average terms of payments (as days)	-	-
Deferrals that exceed maximum legal period at year ended 2012	-	-

(1) Percentage of the total.

(2) The maximum payment period is, in each case, that corresponding to the nature of the goods or services received by the Group in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions.

40. Other operating expenses

The breakdown of the balance of "Other Operating Expenses" in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Contribution to the Deposit Guarantee Fund (Note 1.10)	138	241
Other	422	833
	560	1,074

41. Impairment losses on financial assets (net)

The breakdown of the balance of "Impairment Losses on Financial Assets (net)" in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	NET (ADDITIONS)/ REVERSALS (CHARGED)/ CREDITED TO CONSOLIDATED INCOME	
	2013	2012
Debt instruments (Note 24.8)-		
Available-for-sale financial assets	(4,773)	(31,081)
Loans and receivables	(21,150)	(11,632)
	(25,923)	(42,713)
Equity instruments-		
Available-for-sale equity instruments	(28,410)	(9,981)
	(28.410)	(9.981)
	(54,333)	(52,694)

42. Depreciation and amortization

The detail of "Depreciation and Amortization" in the consolidated income statements for 2013 and 2012 is as follows:

	THOUSANDS OF EUROS	
	2013	2012
Depreciation of tangible assets (Note 14)	4,979	5,632
Amortization of intangible assets (Note 15)	27,829	8,798
	32,808	14,430

43. Related party transactions

Internal relationship memorandum of understanding between the Confederación Española de Cajas de Ahorros and Cecabank, S.A.

As part of the process to incorporate Cecabank, S.A. and the spin-off carried out by the Confederación to this entity in 2012 (see Note 1.1), an "Internal relationship memorandum of understanding between the Confederación Española de Cajas de Ahorros and Cecabank, S.A." was established. This memorandum of understanding identifies the services that Cecabank provides to the Confederación and sets the general criteria for intra-Group transactions and for the rendering of intra-Group services on an arm's-length basis, which are summarized below:

- Associative services
- Compliance services
- Communication, institutional relations, protocol, corporate image management, publishing and contract depository
- Reporting and regulatory services
- Technical area services
- General secretary and legal and tax advisory services

- Monitoring of risk profile
- Planning and control
- Human and estate resources and
- Internal audit services

Other information

At 31 December 2013, the demand deposits held by the Confederación's senior executives, the members of its Board of Directors and related entities and individuals total EUR 677 thousand (2012: EUR 523 thousand), and the loans granted to them amounted to EUR 956 thousand (2012: EUR 673 thousand). These amounts bore interest of EUR 11 thousand (2012: EUR 16 thousand) and EUR 1 thousand (2012: EUR 1 thousand), which were recognized under "Interest and Similar Income" and "Interest Expense and Similar Charges", respectively.

The breakdown of the balances arising from transactions with jointly controlled entities recognized in the consolidated balance sheets at 31 December 2013 and 2012 and in the consolidated income statements for 2013 and 2012 is as follows (Note 2.1):

	THOUSANDS OF EUROS (1)	
	2013	2012
Asset:		
Loans and receivables	22	35
Liabilities:		
Financial liabilities at amortized cost	1,271	1,605
Income statement:		
Other operating expenses	41	246
Other general administrative expenses	228	31

(1) Relates to the portion of the transactions carried out with Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización, S.A. that was not eliminated on application of the proportionate consolidation method.

There are no additional transactions or balances held with parties related to the Group, as defined in the applicable regulations, other than those indicated in this Note and in Note 6 above.

44. Events after the balance sheet date

From the balance sheet date to the date on which these consolidated financial statements were authorized for issue there were no events significantly affecting them.

45. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries included in the Group at 31 December 2013

			Proportion of ownership interest (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2013 (*)			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Cecabank, S.A.	Madrid	Credit Institution	89	-	89	12,061,106	11,205,616	855,490	52,419
CEA Trade Services Limited	Hong Kong	Foreign trade	-	100	100	23	19	4	-

(*) These companies' financial statements at 31 December 2013 have not yet been approved by their shareholders at the respective Annual General Meetings.

Subsidiaries included in the Group at 31 December 2012

			Proportion of ownership interest (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2012			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Cecabank, S.A.	Madrid	Credit Institution	89	-	89	15,015,995	14,261,603	754,392	34,654
Caja Activa, S.A.	Madrid	IT	-	99.99	99.99	249	11	238	2
CEA Trade Services Limited	Hong Kong	Foreign trade	-	100	100	94	90	4	-

Appendix II

Jointly controlled entities at 31 December 2013

			Proportion of ownership interest (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2013 (*)			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Ahorro y Titulización, Sociedad Gestora de Fondos de titulización, S.A.	Madrid	Securitizatio SPV management	-	50	50	13,783	7,386	6,397	2,500

(*) The company's financial statements at 31 December 2013 have not yet been approved by its shareholders at the Annual General Meeting.

Jointly controlled entities at 31 December 2012

			Proportion of ownership interest (%)			THOUSANDS OF EUROS ENTITY DATA AT 31 DECEMBER 2012			
Entity	Location	Line of business	Direct	Indirect	Total	Assets	Liabilities	Equity	Profit for the year
Ahorro y Titulización, Sociedad Gestora de Fondos de titulización, S.A.	Madrid	Securitizatio SPV management	-	50	50	14,244	7,747	6,497	2,804

Informe de los Auditores Externos

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 1 and 45). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the General Assembly of Confederación Española de Cajas de Ahorros:

1. We have audited the consolidated financial statements of Confederación Española de Cajas de Ahorros ("the Confederación") and Subsidiaries composing, together with the Confederación, the Confederación Española de Cajas de Ahorros Group ("the Group"), which comprise the consolidated balance sheet at 31 December 2013 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in total equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The directors are responsible for the preparation of the consolidated financial statements in accordance with the regulatory financial reporting framework applicable to the Group (identified in Note 1.2 to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying consolidated financial statements for 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of the Confederación Española de Cajas de Ahorros Group at 31 December 2013, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein.

3. The accompanying consolidated directors' report for 2013 contains the explanations which the directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2013. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Confederación Española de Cajas de Ahorros and its Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Juan Manuel Alonso Fernández
20 February 2014

PUBLICATIONS

FUNCAS Publications

Circulars to Members

9.1. FUNCAS Publications

PAPELES DE ECONOMÍA ESPAÑOLA

April 2013: *Crisis, desigualdad económica y mercado de trabajo en España;* (2013), No. 135.

June 2013: *Las telecomunicac*iones en España; (2013), No. 136.

November 2013: *Construir una Unión Bancaria;* (2013), No. 137.

January 2014: *La economía de las regiones españolas en la crisis*; (2013), No. 138.

CUADERNOS DE INFORMACIÓN ECONÓMICA

February 2013: *El problema de financiación de las pymes;* (2013), No. 232.

April 2013: *El mercado hipotecario;* (2013) No. 233.

June 2013: *Fragmentación del mercado financiero europeo;* (2013), No. 234.

July 2013: *Final de la recesión y lenta recuperación;* (2013), No. 235.

October 2013: *La reducción de la deuda del sector privado: un proceso en curso;* (2013), No. 236.

November 2013: *La expansión internacional de la empresa española;* (2013), No. 237.

PANORAMA SOCIAL

September 2013: *La ciudadanía europea en la encrucijada;* (2013), No. 17.

January 2014: *Las nuevas tecnologías y su impacto social*; (2013), No. 18.

SPANISH ECONOMIC AND FINANCIAL OUTLOOK

January 2013: *Unlocking Spain's SME financing channels;* (2013). Vol.2. No. 1

April 2013: *An assessment of the Spanish mortgage framework: Issues, policy options and implications;* (2013). Vol. 2 No. 2

May 2013: *Fixing EU financial market fragmentation for Spain to grow again;* (2013). Vol. 2 No.3

July 2013: *Reforming Spain's pension system: Focus on financial sustainability;* (2013). Vol2. No.4

October 2013: *Spain's private sector deleveraging process: Making the adjustment ;* (2013). Vol.2. No.5

November 2013: *The long [*] towards fiscal stability;* (2013). Vol. 2 No. 6.

FOCUS ON SPANISH SOCIETY

June 2013, September 2013, November 2013

FOUNDATION STUDIES

May 2013: *El análisis de los impuestos indirectos a partir de la Encuesta de Presupuestos Familiares. El Simulador de impuestos indirectos de la Fundación de las Cajas de Ahorros (FuncasSindi),* José Félix Sanz Sanz, Desiderio Romero Jordán and Juan Manuel Castañer Carrasco; (2013), No. 62.

June 2013: *Europa, Alemania y España: imágenes y debates en torno a la crisis,* Víctor Pérez-Díaz, Juan Carlos Rodríguez and Elisa Chuliá, (2013), No. 63.

October 2013: *Integración, inmigrantes e interculturalidad: modelos familiares y patrones culturales a través de la prensa en España,* Enrique Uldemolins, Alfonso Corral, Cayetano Fernández, Miguel Ángel Motis, Antonio Prieto and Mª Luisa Sierra, (2013), No. 64.

November 2013: *Sostenibilidad del sistema de pensiones de reparto en España y modelización de los rendimientos financieros,* Clara Isabel González Martínez, (2013), No. 65.

OTHER PUBLICATIONS

October 2013: *Diagnóstico y propuestas para una reforma fiscal,* Jesús Gascón.

DIGITAL PUBLICATIONS. WORKING PAPERS

January 2013: *Business Ties in Boards: the influence of institutional directors on Financial Policy*. Emma García-Meca, Felix López Iturriaga and Fernando Tejerina Gaite; (2013), No. 704.

January 2013: *Análisis jerárquico de la evolución del desempeño económico de las comunidades españolas en el período 1955-2009*. Juan Gabriel Brida, Nicolás Garrido and David Matesanz Gómez; (2013), No. 705.

January 2013: *Attribution of changes in divisia real energy intensity indices in several european countries from 1995 to 2010*. Paula Fernández González, Manuel Landajo and Mª José Presno; (2013), No. 706.

January 2013: *El ámbito de aplicación del principio de beneficio: de la teoría a la revelación de preferencias*. Julio López Laborda and Eduardo Sanz Arcega; (2013), No. 707.

January 2013: *Do shareholder coalitions modify dominant owner's control? The impact on dividend policy*. Félix López-Iturriaga and Domingo J. Santana-Martín; (2013), No. 708.

January 2013: *IPO pricing: A maximum likelihood approach*. Susana Álvarez Otero; (2013), No. 709.

January 2013: *City size and household food consumption. An application of the AIDS model to food demand elasticities in Spain.* Elena Lasarte Navamuel, Fernando Rubiera Morollón and Dusan Paredes Araya; (2013), No. 710.

February 2013: *City size and household food consumption an application of the aids model to food demand elasticities in Spain.* Pilar Abad Romero, Sonia Benito Muela and Carmen López Martín; (2013), No. 711.

April 2013: *Fiscal decentralization in specific areas of governments. An empirical evaluation with country panel data.* L. Letelier Saavedra and J.L. Sáez Lozano, (2013), No. 712.

April 2013: *Disentangling the relation between ownership structure and board composition.* Isabel Acero Fraile and Nuria Alcalde Fradejas, (2013), No. 713.

April 2013: *Market potential and spatial autocorrelation in the European regions.* Andres Faina, Jesus Lopez-Rodriguez and Fernando Bruna, (2013); No. 714.

April 2013: *Quien calla otorga: la larga sombra de la sociedad de responsabilidad limitada en España (1869-1953).* Susana Martínez-Rodríguez; (2013), No. 715.

May 2013: *Firm and country determinants of debt maturity. International evidence*. Víctor M. González Méndez; (2013), No. 716.

May 2013: *Influencia de los distintos países en la determinación de la prima de riesgo exigida a un bono europeo común.* Antonio Madera del Pozo; (2013), No. 717.

July 2013: *La presencia de la banca española, francesa e italiana en el norte de África tras la primavera árabe.* Máximo Santos Miranda; (2013), No. 718.

July 2013: *Offshoring of intermediate production and firm-level innovation: An empirical analysis.* Lucía Avella, Francisco García and Sandra Valle; (2013), No. 719.

July 2013: *Respeto y prosperidad.* Domingo Gallego Martínez; (2013), No. 720.

July 2013: *Factors influencing bank risk in Europe: Evidence from the financial crisis.* Laura Baselga-Pascual, Antonio Trujillo-Ponce and Clara Cardone-Riportella; (2013), No. 721.

July 2013: *La moral fiscal de los españoles, revisitada.* Julio López Laborda and Eduardo Sanz Arcega; (2013), No. 722.

July 2013: *An empirical analysis of e-Participation. The role of social networks and e-government over citizens' online engagement*. María Rosalía Vicente and Amparo Novo; (2013), No. 723.

July 2013: *Knowledge creation and knowledge linkages in the US regions*. Malgorzata Runiewicz-Wardyn and Jesus López-Rodriguez; (2013), No. 724.

July 2013: *Do movie majors really collude? Indirect evidence from release schedules.* Fernanda Gutierrez-Navratil, Víctor Fernández-Blanco, Luis Orea and Juan Prieto-Rodríguez; (2013), No. 725.

July 2013: *Duration and recurrence in unemployment benefits*. José María Arranz and Carlos García-Serrano; (2013), No. 726.

September 2013: *Technological policy and cooperation in innovation: A look through a formal model.* Antonio García-Lorenzo and José López-Rodríguez; (2013), No. 727.

September 2013: *El hueco que deja el diablo: una estimación del fraude en el IRPF con microdatos tributarios.* Félix Domínguez Barrero, Julio López Laborda and Fernando Rodrigo Sauco; (2013), No. 728.

September 2013: *What do you do when the binomial cannot value real options? The LSM model.* Susana Alonso Bonis, Valentín Azofra Palenzuela and Gabriel de la Fuente Herrero; (2013), No. 729.

September 2013: *Unión bancaria: origen, fundamentos y efectos reales.* Luis Cárdenas del Rey; (2013), No. 730.

October 2013: *Luchar contra la corrupción y salir de la crisis económica: dos caras de una misma moneda*. Juan-José Ganuza; (2013), No. 731.

November 2013: *How credible is a too-big-to-fail policy? International evidence from market discipline*. Elena Cubillas, Ana I. Fernández and Francisco González; (2013), No. 732.

November 2013: *The dynamics of co-movement and the role of uncertainty as a driver of non-energy commodity prices*. Pilar Poncela, Eva Senra and Lya Paola Sierra; (2013), No. 733.

November 2013: *Trust in political institutions over the business cycle in Spain*. Marcos Álvarez-Díaz, Gonzalo Caballero, Baltasar Manzano and José M. Martín-Moreno; (2013), No. 734.

December 2013: *Un estudio de los factores determinantes de las desviaciones presupuestarias de las comunidades autónomas en el periodo 2003-2012*. Andrés Leal Marcos and Julio López Laborda; (2013), No. 735.

December 2013: *Determinants of European Bank CDS spreads in times of crisis*. Reyes Samaniego-Medina, Antonio Trujillo-Ponce, Clara Cardone-Riportella and Purificación Parrado-Martínez; (2013), No. 736.

December 2013: *La Gran Recesión en España en clave regional. Un análisis de ciclos económicos.* Eduardo Bandrés Moliné and María Dolores Gadea Rivas; (2013), No. 737.

December 2013: *Impacto de la crisis en el patrón de financiación de las pymes europeas. Especial atención al caso español*. Inmaculada Ordiales Hurtado; (2013), No. 738.

9.2. Circulars to Members

	Month	Circular
1	January	Answer from the tax authorities to the binding consultation submitted by ceca on the vat treatment of investment portfolio discretionary management services
2	January	Conference on new encumbrances on the financial sector
3	January	Details on loans and deposits of residents in spain
4	January	Mortgage market reference rates
5	January	Guidelines on capital adequacy assessment in credit institutions
6	January	Details on loans and deposits of residents in spain
7	January	Bank of spain document on advertising self-regulation of entities
8	February	Bank of spain document on the items to be included when calculating the aer of mortgage loans and credit facilities
9	February	Bank of spain document on queries raised in connection with the application of bank of spain circular 5/2012 of 27 june
10	February	Mortgage market reference rates
11	February	Bank of spain document on the most important shortcomings and omissions observed in the icaap (internal capital adequacy assessment reports) review documents
12	February	Details on loans and deposits of residents in spain
13	March	National securities market commission document on reform of the share distribution tables for placements of negotiable instruments
14	March	Payment of confederation membership fees
15	March	New prime rate in force as from 1 january 2013, applicable to loans made under the financial agreements deriving from royal decree 613/2001 of 8 june for improvement and modernisation of farming production structures
16	March	Bank of spain document on the deadline for sending icaap 2012
17	March	Mortgage market reference rates
18	March	Bank of spain document on the new draft bank of spain circular on the risk information centre (cir)
19	April	Details on loans and deposits of residents in spain
20	April	Mortgage market reference rates
21	April	Details on loans and deposits of residents in spain
22	April	Letter from general manager supervision of the bank of spain on criteria regarding refinancing and restructuring
23	April	Letter from general manager supervision of the bank of spain on the review of the accounting classification of refinanced or restructured portfolios
24	May	Answer from tax authorities to binding consultation submitted by ceca on investment by vat taxpayer in transfers made in enforcement of property guarantees
25	May	Bank of spain document on remittance of the forms in annexes i and ii of circular 5/2012 of 27 june
26	May	Bank of spain document on migration to sepa
27	May	Details on loans and deposits of residents in spain
28	May	Implementation of the measures contemplated in act 1/2013 of 14 may 2013 on measures to reinforce the protection of mortgagors, debt rescheduling and social rental housing

29	May	Decisions of the eu international financial action task force (fatf) on high-risk jurisdictions for anti-money laundering and anti-terrorist financing
30	May	Bank of spain document on the questionnaire on honourable conduct and good governance in the process of assessing the suitability of board members and key executives
31	May	Bank of spain document on draft guidelines for complementary criteria on remuneration policies and practices in credit institutions
32	June	Statistical yearbook of credit institutions members of ceca
33	June	Mortgage market reference rates
34	June	Document from the secretary general for the treasury and financial policy on application of the amendments to the code of good practices for the viable restructuring of loans backed by mortgages over permanent residence
35	June	Bank of spain document on the “land clauses” incorporated in mortgage loans
36	June	Details on loans and deposits of residents in spain
37	June	Bank of spain document on dividend distribution plans
38	July	Mortgage market reference rates
39	July	Details on loans and deposits of residents in spain
40	July	Cnmv document reminding institutions of the obligation to report as a regulatory announcement the result of the assessment of adequacy of the “land clauses” requested by the bank of spain when this entails a significant impact on the profit and loss account
41	August	Decisions of the eu international financial action task force (fatf) on high-risk jurisdictions for anti-money laundering and anti-terrorist financing
42	August	Mortgage market reference rates
43	August	Details on loans and deposits of residents in spain
44	September	Bank of spain document on the draft circular amending circular 4/2004 on public and supervisory financial reporting standards and model financial statements and circular 1/2013 on the risk information centre
45	September	Adaptation of the master agreement for financial transactions (cmof) to emir standards
46	September	Bank of spain document on guidelines for access to mortgage loans and informative brochure
47	September	Mortgage market reference rates
48	September	Bank of spain document on issuance of a new 100 dollar bill
49	September	Transitional instructions for the quarterly declaration of mortgagor protection statements of institutions applying the amendments to the code of good practices established in royal decree-law 6/2012 of 9 march
50	September	Details on loans and deposits of residents in spain
51	October	Negotiated procedure with publicity for the provision of financial services to the spanish federation of municipalities and provinces
52	October	Accession to the master collaboration agreement between ceca, cnmv and bank of spain for the development of actions within the framework of the financial education plan 2013-2017
53	October	Bank of spain document on addendum to the action plan for migration to sepa direct debits and transfers in spain
54	October	Bank of spain document on the final date for migration to the single euro payments area (sepa)
55	October	Bank of spain document on "state of persons subject to assessment of suitability pursuant to royal decree 256/2013"

56	October	Bank of spain document on the draft circular to establish additional rules and mechanisms to stimulate the independence of appraisal
57	October	Monthly activity report on measures taken by the government to protect mortgage debtors with no means of support
58	October	Mortgage market reference rates
59	October	Reconciliations to be made in respect of the new monthly statements under the code of good practices established in royal decree-law 6/2012
60	October	Letter from the spanish ambassador in serbia on privatisation of the bank pbb in the republic of serbia
61	October	Details on loans and deposits of residents in spain
62	November	Information on plans to issue new 10 euro banknote europe series
63	November	Spanish red cross - typhoon in philippines 2013 - aid for victims
64	November	Approval of update of sample risk transaction catalogues in respect of money laundering and terrorist financing
65	November	Mortgage market reference rates
66	November	Cnmv document on amendments to the fixed income and notes issuance guidelines
67	December	Bank of spain document on draft circular amending circular 4/2004 on public and supervisory financial reporting standards and model financial statements
68	December	Details on loans and deposits of residents in spain
69	December	Bank of spain document on the obligation of credit institutions to send their customers an annual summary of fees, charges and interest rates in january of each year
70	December	Mortgage market reference rates
71	December	Bank of spain document on the criteria for reassigning hedges contemplated in the future circular and criteria on the portfolio of assets classified as sub-standard and dividend policy
72	December	Document from director general of the deposit guarantee fund on additional, extraordinary contribution to the credit institutions’ deposit guarantee fund established in supplementary provision five of royal decree-law 21/2012 of 13 july
73	December	Document from secretariat of the deputy prime minister of the government on the document: "spanish economic policy strategy. Two years of reforms. Moving towards recovery "

ceca

CONFEDERACIÓN
ESPAÑOLA
DE CAJAS
DE AHORROS